

AR58





## Corporate Profile

*Magna International Inc. is a leading global supplier of technologically advanced automotive systems.*

*The Company employs more than 32,000 people at 118 operating divisions throughout North America, Mexico, Europe and China.*

*As one of the most diversified automotive components suppliers in the world, Magna designs, engineers and manufactures a complete range of exterior and interior vehicle systems.*

*Magna is recognized by its customers, the major automotive Original Equipment Manufacturers (OEMs), for its innovative product design and total vehicle program management.*

*Magna is a public company with Class A shares listed and traded on the New York Stock Exchange in the United States, and The Toronto Stock Exchange and the Montreal Exchange in Canada. The Class B shares are listed and traded in Canada on The Toronto Stock Exchange.*

### Table of Contents

|                                                  |                   |
|--------------------------------------------------|-------------------|
| <u>Financial Highlights</u>                      | <u>1</u>          |
| <u>Magna's Corporate Constitution</u>            | <u>2</u>          |
| <u>The Chairman's Message</u>                    | <u>3</u>          |
| <u>Letter to Shareholders</u>                    | <u>4</u>          |
| <u>Corporate Overview</u>                        | <u>6</u>          |
| <u>History &amp; Development</u>                 | <u>8</u>          |
| <u>The Magna Employee's Charter</u>              | <u>9</u>          |
| <u>Atoma</u>                                     |                   |
| <u>Interior Systems</u>                          | <u>10</u>         |
| <u>Atoma</u>                                     |                   |
| <u>Hardware &amp; Door Systems</u>               | <u>12</u>         |
| <u>Decoma</u>                                    |                   |
| <u>Exterior Systems</u>                          | <u>14</u>         |
| <u>Cosma</u>                                     |                   |
| <u>Metallic Body &amp; Chassis Systems</u>       | <u>16</u>         |
| <u>Tesma</u>                                     |                   |
| <u>Powertrain, Fueling &amp; Cooling Systems</u> | <u>18</u>         |
| <u>Magna Europe</u>                              | <u>20</u>         |
| <u>The Year in Review</u>                        | <u>22</u>         |
| <u>Financial Review</u>                          | <u>23</u>         |
| <u>Magna Content,</u>                            |                   |
| <u>Products and Services</u>                     | <u>Back Cover</u> |

### The 1996 Annual Meeting

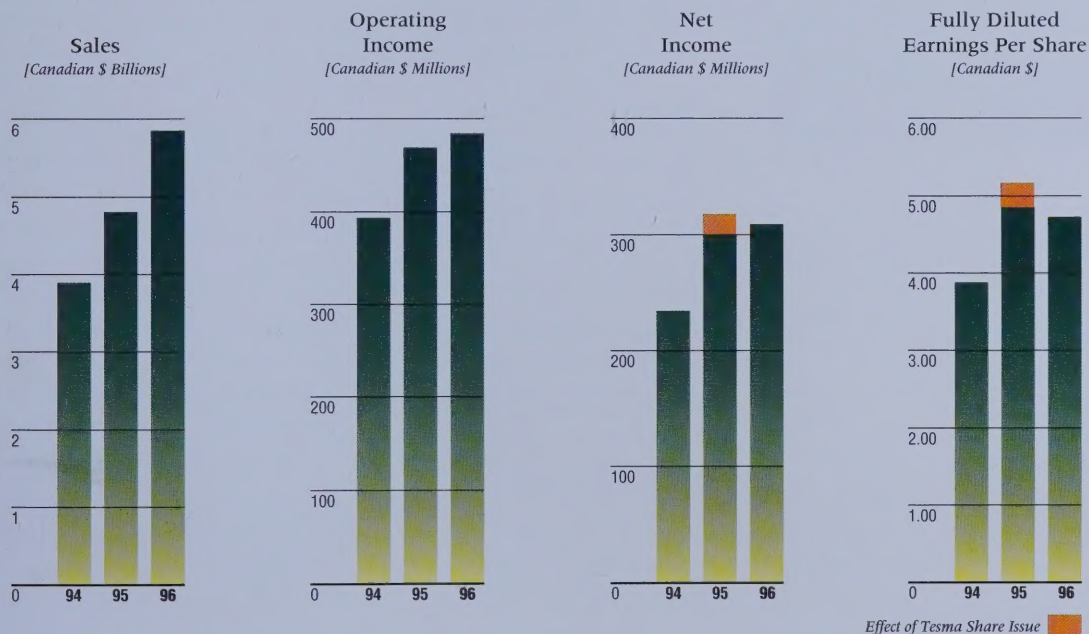
The 1996 Annual Meeting of Shareholders will be held at the Solomon R. Guggenheim Museum  
1071 Fifth Avenue  
New York, New York  
on Thursday, December 5th  
at 10:00 a.m.



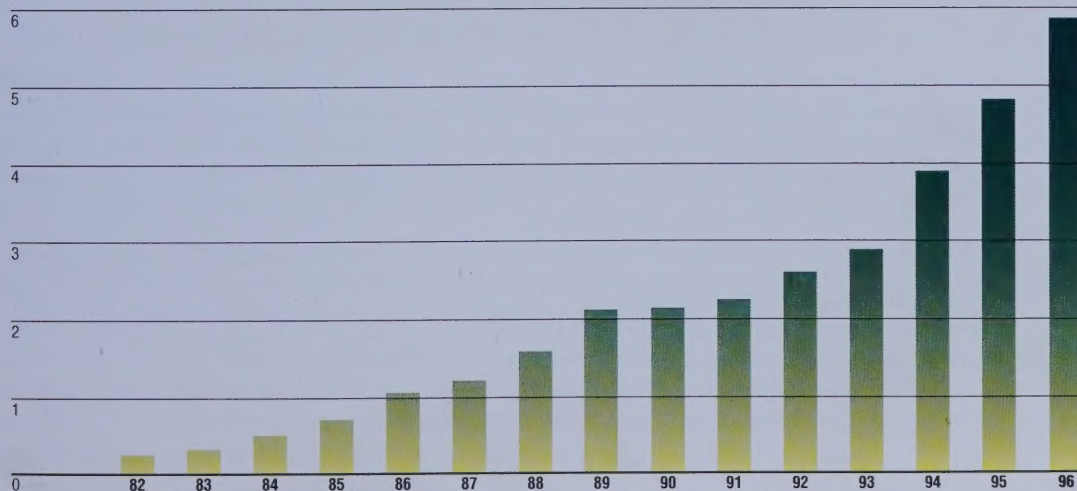
# - FINANCIAL HIGHLIGHTS -

[Canadian dollars in millions, except per share figures]

|                                                  | 1992    | 1993    | 1994    | 1995    | 1996    |
|--------------------------------------------------|---------|---------|---------|---------|---------|
| Sales                                            | \$2,576 | \$2,878 | \$3,884 | \$4,795 | \$5,856 |
| Operating Income                                 | 164.2   | 224.6   | 392.4   | 468.1   | 484.3   |
| Net Income                                       | 98.0    | 140.4   | 234.4   | 317.0   | 309.0   |
| Fully Diluted Earnings<br>Per Class A or B Share | 2.08    | 2.55    | 3.87    | 5.16    | 4.71    |
| Capital Expenditures and Investments             | 53      | 130     | 414     | 466     | 501     |
| Shareholders' Equity                             | 590     | 844     | 1,320   | 1,592   | 2,331   |



15 Year Sales Growth  
[Canadian \$ Billions]



## *Corporate Constitution*

### **Employee Equity and Profit Participation**

Ten percent of Magna's profit before tax will be allocated to employees. These funds will be used for the purchase of Magna shares in trust for employees and for cash distributions to employees, recognizing length of service.

### **Shareholder Profit Participation**

Magna will distribute, on average, not less than 20 percent of its annual net profit to shareholders.

### **Management Profit Participation**

To obtain long-term contractual commitment from senior management, the Company provides a compensation arrangement which, in addition to a base salary below industry standards, allows for the distribution of up to six percent of Magna's profit before tax.

### **Research and Development**

Magna will allocate a minimum of seven percent of its profit before tax for research and development to ensure the long-term viability of the Company.

### **Social Responsibility**

The Company will allocate a maximum of two percent of its profit before tax for charitable, cultural, educational and political purposes to support the basic fabric of society.

### **Minimum Profit Performance**

Management has an obligation to produce a profit. If Magna does not generate a minimum after-tax return of four percent on share capital for two consecutive years, the Class A shareholders, voting as a class, will have the right to elect additional directors.

### **Unrelated Investments**

Class A and Class B shareholders, with each class voting separately, will have the right to approve any investment in an unrelated business in the event such investment together with all other investments in unrelated businesses exceeds 20 percent of Magna's equity.

### **Board of Directors**

Magna believes that outside directors provide independent counsel and discipline. A majority of the members of Magna's Board of Directors will be outsiders.

Magna's Corporate Constitution publicly declares and defines the rights of employees and investors to participate in the Company's profits and growth while also imposing certain disciplines on management. These features strike a balance between employees, investors and management while allowing the Company to maintain an entrepreneurial environment which encourages productivity.

Magna is a public company with two classes of shares, a Class B share which carries a multiple vote, held primarily by management and their associates, and a Class A share for investors and employees which carries a single vote. This share structure has been in place since 1978 and enables management to have operating control of the Company on a day-to-day basis, provided it adheres to the Corporate Constitution.

Any change to Magna's Corporate Constitution requires the approval of the Class A and Class B shareholders, with each class voting separately.



## - The Chairman's Message -

During the past year Magna took another enormous stride forward in the Company's objective of becoming a global automotive systems supplier. Today, as the automotive industry becomes increasingly global in scope and activity, we are better able to meet our customers' needs throughout the world.

With an effective and experienced management team at the helm in North America, I have focused much of my time and effort in Europe, where I have established a Swiss-based management consulting firm, Frank Stronach & Co. That firm provides management services to Magna International Inc. for the purpose of enhancing Magna's business development, both in Europe and worldwide, and upholding Magna's original operating principles and corporate philosophies. Other services include the identification of potential acquisitions, strategic relationships and new products and technologies, and the recruitment of senior operational and technical management.

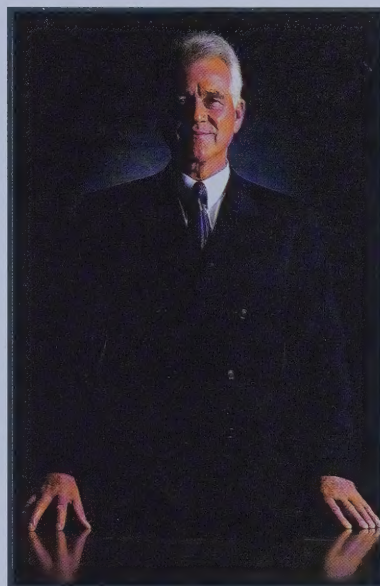
Magna continues to cross-fertilize technologies and processes between our European and North American operations. We are also conducting numerous and ongoing exchanges between North America and Europe involving senior management, engineers, designers and technicians. This, more than anything else, has given Magna a truly global character. At the same time, however, we have retained strong local identities and roots in the various countries in which we operate.

As Magna continues to grow, one of the most important challenges we will face is the need to maintain our unique corporate culture, which motivates employees and management to achieve increased productivity and profitability. Being the founder of Magna, I have an intense and deeply personal interest in ensuring that our culture – the foundation of our success – is maintained and strengthened for the benefit of all stakeholders.

Magna's culture, including its governing Corporate Constitution, is designed to protect and promote the interests of our stakeholders – employees, shareholders, management and customers. When the stakeholders work in harmony, as they have done over the years at Magna, there is no limit to the results we can together achieve.

I strongly believe that through Frank Stronach & Co., we will be able to ensure the continued vitality of Magna's unique operating structure and corporate culture. In essence, we need to constantly foster the strong sense of ownership and entrepreneurial energy that comes from providing management and employees with a tangible stake in the success of the business. This has been — and will continue to be — our greatest competitive advantage.

In closing, I would like to thank our shareholders, who have demonstrated confidence in our long-term growth strategy by providing us with the capital necessary to expand our worldwide operations and bolster our core systems capabilities. I would also like to thank our employees and managers who, year after year, continue to deliver to our customers world quality products at globally competitive prices. Finally, I wish to thank our customers, who continue to reward our efforts by purchasing more of our products and services, and who increasingly look to us as partners in the pursuit of automotive systems solutions.



A stylized, handwritten signature in blue ink, reading "Frank Stronach".

**Frank Stronach**  
Chairman of the Board



## - Letter to Shareholders -



*Donald Walker*

**Donald Walker**

President & Chief Executive Officer  
(left)

*William H. Fike*

**William H. Fike**

Vice-Chairman  
& Executive Vice-President  
(right)

Fiscal 1996 proved to be another milestone for the Company, which achieved record-high sales and saw a significant increase in the dollar content per vehicle of Magna-supplied components and systems to the global automotive industry. Of particular long-term significance, the past fiscal year saw the Company substantially broaden its customer and shareholder base. In addition, we strengthened our balance sheet, and cash balances of approximately \$1 billion will enable us to capitalize on opportunities as the automotive industry continues to restructure, consolidate and become global.

Consolidated sales increased 22% to \$5.9 billion. Net income was \$309 million, compared to \$317 million the previous year, which included a \$17 million gain recognized from the issue of shares by Tesma. Fully diluted earnings per share in fiscal 1996 were \$4.71, compared to \$4.88 in fiscal 1995 (prior to the Tesma share gain). We remain debt free, net of cash, and shareholders' equity has more than doubled to \$2.3 billion. We will continue to apply our cash balances to the acquisition of businesses and investments in strategic technologies and growth assets that complement our core systems areas and strengthen our Tier One position as a diversified global systems supplier.

One of the highlights of fiscal 1996 involved the substantial completion of our work as the systems integrator for a new sport utility vehicle, scheduled to debut in 1997. This precedent-setting contract involved management of the complete interior and exterior vehicle systems design and development, which provides an exciting opportunity for similar contracts in the future.

We have completed three strategic acquisitions in the past year, specifically Pebra GmbH, Marley Automotive and Douglas & Lomason. As a result of these acquisitions and significant internal growth, Magna now employs approximately 32,000 people in 118 manufacturing operations throughout the world. Much of our focus in the year ahead will be to integrate the new companies into Magna's unique entrepreneurial corporate culture, and to consolidate the new technologies and processes with Magna's existing systems capabilities. Through these actions, Magna has strategically enhanced its core systems capabilities, expanded its product line and added new processes for future growth.

We continue to build upon our record of customer service and close, cooperative relationships with all of our customers. Magna was proud to be named the General Motors Worldwide Corporation of the Year for the second consecutive year – a testimonial to our strong customer focus and our stated commitment of supplying quality systems and components at globally competitive prices.

We also continue to remain at the forefront of product and industry trends in order to provide our customers with leading-edge system designs, new technologies and materials and products at competitive prices to achieve our customers' continued emphasis on vehicle safety, comfort, convenience and functionality.

Our global product and business strategy has placed us on a course of strong, dynamic growth with the increased ability to service our customers in all major markets of the world.

We wish to thank all the stakeholders – our employees, shareholders, managers and customers – who made fiscal 1996 another successful year.





From left: **J. Brian Colburn**  
*Executive Vice-President, Special Projects and Secretary*  
**Graham J. Orr**  
*Executive Vice-President, Corporate Development*  
**Vincent J. Galifi**  
*Executive Vice-President, Finance*



From left: **Gary Benninger**  
*Executive Vice-President, Engineering and Research and Development*  
**Donald Amos**  
*Executive Vice-President, Administration and Human Resources*  
**C. Dennis Bausch**  
*Executive Vice-President, Marketing and Planning*



From left: **Rick Hrga**  
*President, Hardware and Door Systems Group*  
**Fred Jaekel**  
*President and Chief Operating Officer, Cosma International Inc.*  
**Alan J. Power**  
*President, Decoma International Inc.*  
**Richard A. Banfield**  
*President, Magna Interior Systems – Seating Group*



From left: **Siegfried Wolf**  
*President (Speaker) of the Management Board, Magna Europe*  
**Robert Gruber**  
*Management Board Member – Finance, Magna Europe*  
**Helmut Scholz**  
*Management Board Member – Operations, Magna Europe*



## - CORPORATE OVERVIEW -

### Operating Structure

#### *Automotive Systems Corporations*

Magna's divisions are grouped along geographic and product lines into separate Automotive Systems Corporations. Each of these corporations provides full service, systems integration in a specific vehicle area.

#### *Division Management*

Within the framework of the Corporate Constitution and the Employee's Charter, division managers have a wide degree of latitude in running their day-to-day operations. Their compensation is tied to the performance of the division, with each manager receiving a relatively low base salary and a pre-determined portion of the division's profits. This compensation formula enables Magna to attract and retain entrepreneurial managers with manufacturing expertise.

#### *Systems Corporation Management*

The most experienced and successful division managers advance to the ranks of systems corporation or group management, which is responsible for coordinating product development, finance, marketing and maximizing manufacturing efficiencies in the divisions which make up the group. Systems corporation management is paid a relatively low base salary and a pre-determined portion of the group's profits.

#### *Executive Management*

Executive management coordinates advanced systems development and manufacturing, ensures customer satisfaction and interfaces with the investment community. In addition, executive management is responsible for the long-term strategic planning and future growth of the Company. Members of executive management are paid a base salary below industry standards and up to six per cent of Magna's profit before tax.

Magna also has an agreement with Frank Stronach & Co., based in Switzerland, to provide business development and other management services worldwide. These services include: facilitating the application of the Company's operating principles and philosophies, coordinating strategic planning (including implementation through business acquisitions and the acquisition of new products and technologies), recruiting and developing new management and promoting corporate goodwill with various stakeholder groups.

### Operating Principles

*At the heart of Magna's operating structure is an entrepreneurial culture which builds ownership and inspires pride in all its people. This dynamic corporate culture, highlighted in the principles below, is the cornerstone of Magna's success.*

#### *Decentralized Operating Structure*

Magna's manufacturing divisions operate as independent profit centres. This decentralized structure prevents bureaucracy and makes the Company more responsive to customer needs and the changing industry.

#### *Employee Involvement*

By keeping operating units relatively small and flexible, Magna fosters greater employee involvement and initiative. This environment also allows the Company to recognize and reward individuals' contributions and maintain open communication.

#### *Entrepreneurial Managers*

Entrepreneurial, hands-on managers with strong tooling, engineering and manufacturing backgrounds run Magna's divisions. Division managers are responsible for ensuring profitability, achieving customer satisfaction and upholding the principles of the Magna Employee's Charter.

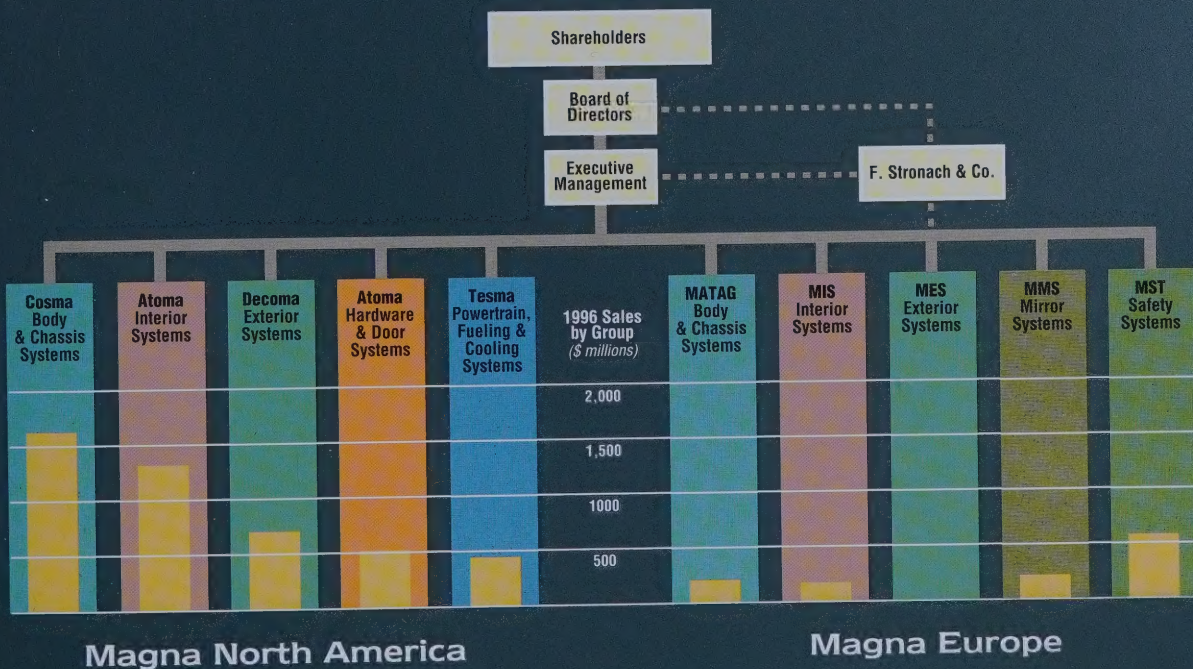
#### *Employee's Charter*

The Magna Employee's Charter strives to create a quality work environment by guaranteeing employees fair treatment, a safe and healthful workplace and competitive wages and benefits.

#### *Employee Ownership*

Through the Equity Participation and Profit Sharing Program, employees receive ten per cent of the Company's annual profits before tax. As part-owners working in an environment where productivity is rewarded, Magna employees are motivated to produce quality products at competitive prices.







## - HISTORY & DEVELOPMENT -

### -1957-

Frank Stronach opens a one-man tool and die shop called Multimatic.  
First year sales: \$13,000.

### -1960-

First auto parts contract with General Motors.

### -1969-

Multimatic merges with Magna Electronics, a publicly traded aerospace, defense and industrial components manufacturer. Annual sales: \$10 million.

### -1970 to 1972-

Automotive operations expand to include a greater number of stamped and electronic components.

### -1973-

The Company name is changed to Magna International Inc.

### -1974-

The Employee Equity Participation and Profit Sharing Program is introduced.

### -1976 to 1982-

Magna implements a major product diversification strategy. Divisions are organized into product groups. Magna surpasses the \$200 million sales mark.

### -1984-

The Company formally adopts the Corporate Constitution, entrenching Magna's previous long-standing commitment guaranteeing the right of employees, shareholders and management to share in the profits they help produce.

### -1987-

Magna organizes its manufacturing divisions into Automotive Systems Corporations to become full-service suppliers for virtually every system of the automobile.  
Company sales total more than \$1 billion.

### -1988-

The Employee's Charter is formally adopted, entrenching Magna's previous long-standing commitment to the principles of workplace fairness and employee equity.

### -1989-

Magna creates Vehma International to oversee total vehicle program management, laying the groundwork for the establishment of the Company's total vehicle systems integration capabilities.

Magna co-designs and co-develops the built-in child safety seat, recognized by the Smithsonian Institute as one of the great innovations of the 1980s.

### -1990 to 1991-

Magna undergoes a major restructuring, pays down debt and sells non-strategic operating divisions.  
The Company reaches the \$2 billion sales level.

### -1992-

Magna is listed on the New York Stock Exchange.

### -1994-

Magna announces a groundbreaking 'systems integrator' contract to program manage the complete interior and exterior systems integration of a vehicle. Magna acquires majority interest in two European companies: KSA, one of Europe's largest suppliers of airbags, and Zipperle, a mirror producer.

### -1995-

The Company wins a hydroforming contract for one of the largest production platforms in North America. Tesma International Inc., one of Magna's five automotive systems corporations, is spun off as a public company, with Magna retaining majority ownership.  
Magna acquires Eybl Durmont, a European interior systems supplier.



# *The Magna Employee's Charter*

Magna is committed to an operating philosophy which is based on fairness and concern for people.

It includes these principles:

## **Job Security**

Being competitive by making a better product for a better price is the best way to enhance job security.

Magna is committed to working together with you to help protect your job security.

To assist you, Magna will provide:

- Job Counselling
- Training
- Employee Assistance Programs

## **A Safe and Healthful Workplace**

Magna strives to provide you with a working environment which is safe and healthful.

## **Fair Treatment**

Magna offers equal employment opportunities based on an individual's qualifications and performance, free from discrimination or favouritism.

## **Competitive Wages and Benefits**

Magna will provide you with information which will enable you to compare your total compensation of total wages and total benefits with those earned by employees of your competitors, as well as with other plants in your community. If your total compensation is found not to be competitive, then your wages will be adjusted.

## **Employee Equity and Profit Participation**

Magna believes that every employee should own a portion of the Company.

## **Communication and Information**

Through regular monthly meetings between management and employees and through publications, Magna will provide you with information so that you will know what is going on in your company and within the industry.

## **The Hotline**

Should you have a problem, or feel the above principles are not being met, we encourage you to call the Hotline or use the self-addressed Hotline Envelopes to register your complaints.

You do not have to give your name, but if you do, it will be held in strict confidence.

Hotline Counsellors, speaking several languages, will answer your call.

Your concern will then be forwarded to the Magna Corporate Employee Relations Department.

The Magna Corporate Employee Relations Department is committed to investigate and resolve all concerns or complaints and must report the outcome to the Employee Relations Advisory Board.

## **Employee Relations Advisory Board**

The Employee Relations Advisory Board is a group of people who have proven recognition and credibility relating to humanitarian and social issues. This Board will monitor, advise and ensure that Magna operates within the spirit of the Magna Employee's Charter and the principles of Magna's Corporate Constitution.



## — ATOMA — Interior Systems



*James Box tests a Chrysler two-passenger minivan bench seat for noise in a sound room at the group's advanced test facility in Michigan.*

### **A Full Service Supplier**

Atoma Interior Systems, Magna's full service supplier of components and integrated interior systems, produces seating, safety restraint systems and panel systems such as headliners, sidewall trim, instrument panels and consoles.

Atoma Interior Systems' capabilities cover a full range from design and test engineering to final assembly. They include some of the most sophisticated prototyping capabilities in the industry, and comprehensive product assessment, complete with environmental test chambers, sound rooms for noise testing and "road-load" simulation testing.

### **Systems Integration**

Because of its total interior integration capabilities, Atoma Interior Systems is a sole-source provider of vehicle interior systems and modules.

The group's safety-integrated systems include side airbag mounted seats, built-in child safety seats and all-belts-to-seat restraint systems. Atoma Interior Systems is an industry leader in developing "seat complete" systems – ready-to-assemble seating with fully integrated restraint and hardware systems.

### **Program Management**

To reduce product and vehicle lead times, Atoma Interior Systems offers design-to-delivery capabilities and program management expertise for total interior programs and major interior sub-systems.

Atoma Interior Systems won a groundbreaking integrator contract where the group has taken responsibility as program manager for the complete interior and exterior vehicle systems of a sport utility vehicle debuting in 1997. Atoma Interior Systems will supply several interior products for the vehicle, including a console and door trim panels.



*Michael Sturgis removes a vinyl instrument panel skin from a mould. Atoma Interior Systems developed a process which offers more styling options, with better texture and durability. The same technology is used to manufacture door panels and interior trim.*

Atoma Interior Systems also "program managed" the Prowler seat contract for Chrysler - providing pre-production and production expertise, from design to final delivery.

### **Technological Innovation**

Atoma Interior Systems has developed a production technique which integrates leather and vinyl into its mould-in-place seats. As well, the group recently developed a low pressure moulding process for instrument panels, door panels and interior trim. The process offers cost-savings with increased styling flexibility and a quality appearance for economy and mid-level vehicles.

The group closely monitors industry trends and consumer preferences through benchmarking and consumer clinics as part of its ongoing product development activities, particularly in the areas of vehicle comfort and safety.

### **New Products**

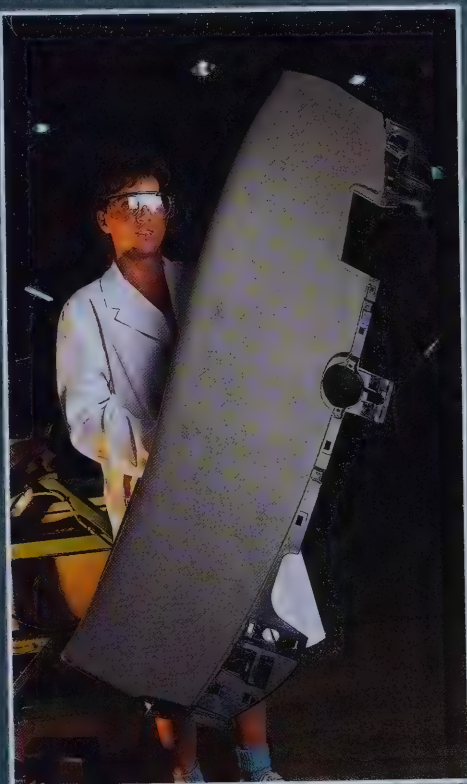
Atoma Interior Systems manufactures the instrument panel and interior door panels for the 1997 Buick Park Avenue. The group developed a process which yields a vinyl component with a better texture finish which is more durable and is UV-resistant for 10 years.

Atoma Interior Systems introduced an industry "production first" with the development of an all-aluminum seat frame, featured on the new Chrysler Prowler. The aluminum frame offers customers weight and cost savings and improved structural integrity.

The Prowler seat also features a new, manual six-way adjustable seat mechanism with a remote handle attached to the seat by a cable.

Atoma Interior Systems significantly expanded its business during the past year with New Domestic customers such as Honda and Toyota by winning several production contracts for door panels and sidewall trim.





TOP LEFT: The 1997 Buick Park Avenue sports an interior door panel produced and shipped just-in-time and in colour sequence direct to the customer's assembly line.

TOP RIGHT: Bonnie Van Valkenburg completes final assembly on this 1997 Buick Park Avenue instrument panel.

LEFT: Jim Kelly does a pre-production check of a Chrysler Prowler seat test unit. The seat frame is all-aluminum for weight and cost savings. Atoma Interior Systems' new lamination technique also enables leather to be used more easily in the mould-in-place seat cushions.

RIGHT: Michael Bonner conducts a static airbag deployment test on a prototype passenger-side airbag.





## - ATOMA - Hardware & Door Systems



*Atoma Hardware and Door Systems' patented 'Beverage Mate' offers some of the comforts of home on the road. The device keeps temperatures of either hot or cold beverages constant.*

### **A Full Service Supplier**

Atoma Hardware and Door Systems supplies door systems and sub-assemblies, including closure latching systems, power closure systems, window regulators, clutch and brake pedal assemblies, electronic and electro-mechanical systems and thermo-electric systems.

The group has two dedicated research, engineering and testing facilities where systems undergo thorough analysis, including complete vehicle interface testing and computer model simulation.

### **Systems Integration**

Magna's hardware and door systems group is a leader in the development of fully integrated door systems. The group manufactures complete door modules, including full service component packaging. Systems integration capabilities include off-line pre-assembly for in-sequence delivery.

For a 1998 OEM product, the group designed and developed a fully integrated modular door hardware unit. The module is the first to contain all of the door componentry, latching and wiring.

### **Program Management**

The group's product development activities and highly engineered systems ensure fully integrated door and hardware systems which interact with other vehicle systems. Logistics experts ensure all pre-assembled and pre-tested systems and modules are delivered to customers on a just-in-time or in-sequence basis.



*Prototyping activities involve expertise in many disciplines, including engineering, computer-aided-design and testing. Here, Chuck Ryntz (seated) and Frank Abulnar compare a double-locking latch prototype with its solid model design on the CAD screen.*

### **Electrical Integration**

InvoTronics is Magna's electrical/electronic systems integrator division. InvoTronics is assuming a leading role as a manufacturer of advanced electronic switching systems which have a conventional look and feel but use modern electrical technology to achieve weight savings, better reliability and cost savings.

InvoTronics is developing door actuators, which form an integral part of the door latch, as its contribution to Atoma Hardware and Door Systems' modular door cassette project.

This year, the division also formed an alliance with a European partner, gaining additional depth in automotive body and security electronics and flexible switching systems markets. This effort supports the automotive trend towards increased modular systems.

### **New Products**

The group's power sliding door and power liftgate have obstacle detection capabilities for improved safety, and sensors which automatically adjust doors to weather, vehicle age and incline.

The console-mounted "Beverage Mate" uses thermo-electric technology to maintain the temperature in hot or cold beverages.

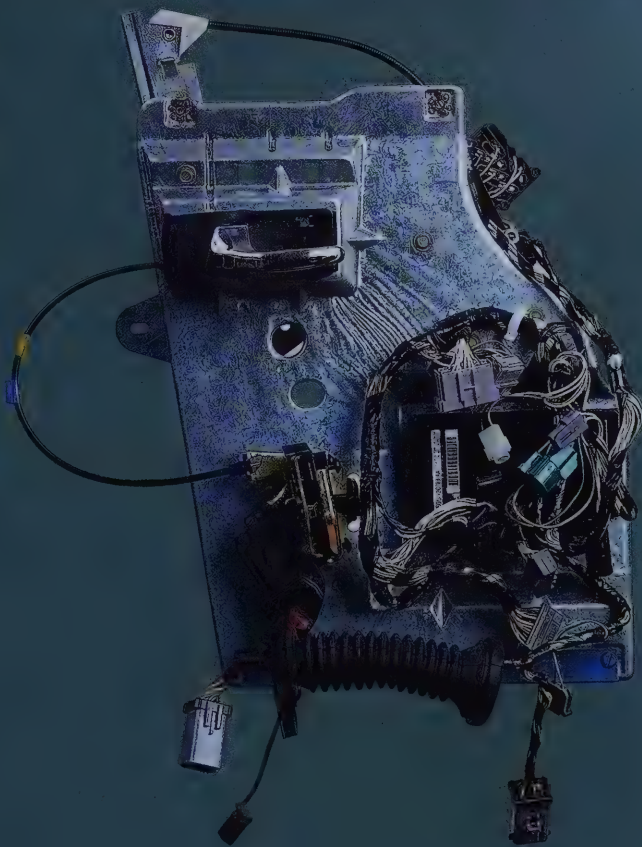




TOP: Atoma Hardware and Door Systems is a leader in developing technologies which increase consumer convenience, including power sliding door and power liftgate technology.

LEFT: Paul Ouch, foreground, and Liep Peeo, background, work at a recently installed automated line which has doubled production on a 'universal' door latch featured on eight Ford vehicles.

RIGHT: Atoma Hardware and Door Systems sets industry standards for door component modularization. This door cassette integrates a number of components into one unit, reducing part and assembly costs for vehicle manufacturers.





## - DECOMA - Exterior Systems



*Decoma manufactures and assembles vehicle exterior enhancement systems at this dedicated assembly plant.*

### **A Full Service Supplier**

Decoma is Magna's full service supplier of exterior vehicle appearance systems. Renowned for its advanced product styling and innovative application of new materials, Decoma designs, engineers and manufactures a full range of exterior appearance products, including front and rear bumper systems, greenhouse and sealing systems, vertical body panels, lower body side systems, polymeric glazing systems and convertible top systems.

Decoma's comprehensive process capabilities provide the global customer base with design and styling flexibility. Highly integrated manufacturing capabilities include: injection and reaction injection moulding, roll-forming and stamping, extrusion and coextrusion, painting and finishing.

### **Systems Integration**

As a full service supplier, Decoma offers complete in-house design and engineering services for all of the systems and components it manufactures. Decoma expanded its systems capability with the ground-breaking of a dedicated sealing system facility. As well, the group continues its leadership role in providing complete front and rear end systems, including fascias, energy management and modular lighting.

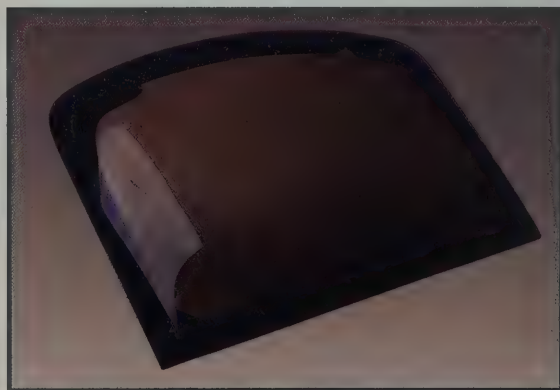
### **Program Management**

Decoma is rapidly becoming an industry leader in providing OEMs with off-site "vehicle enhancement packages". The vehicles are then shipped direct to dealer showrooms on the customer's behalf.

By targeting specific expertise from across Decoma, the group focuses on consistent execution and immediate customer response. Program management expertise is used for both new vehicles and facelift programs.



*Kim Skrocki, left, and Charlotte Simpson, right, put the finishing touches on hardcoated plastic appliques for the Chrysler minivan.*



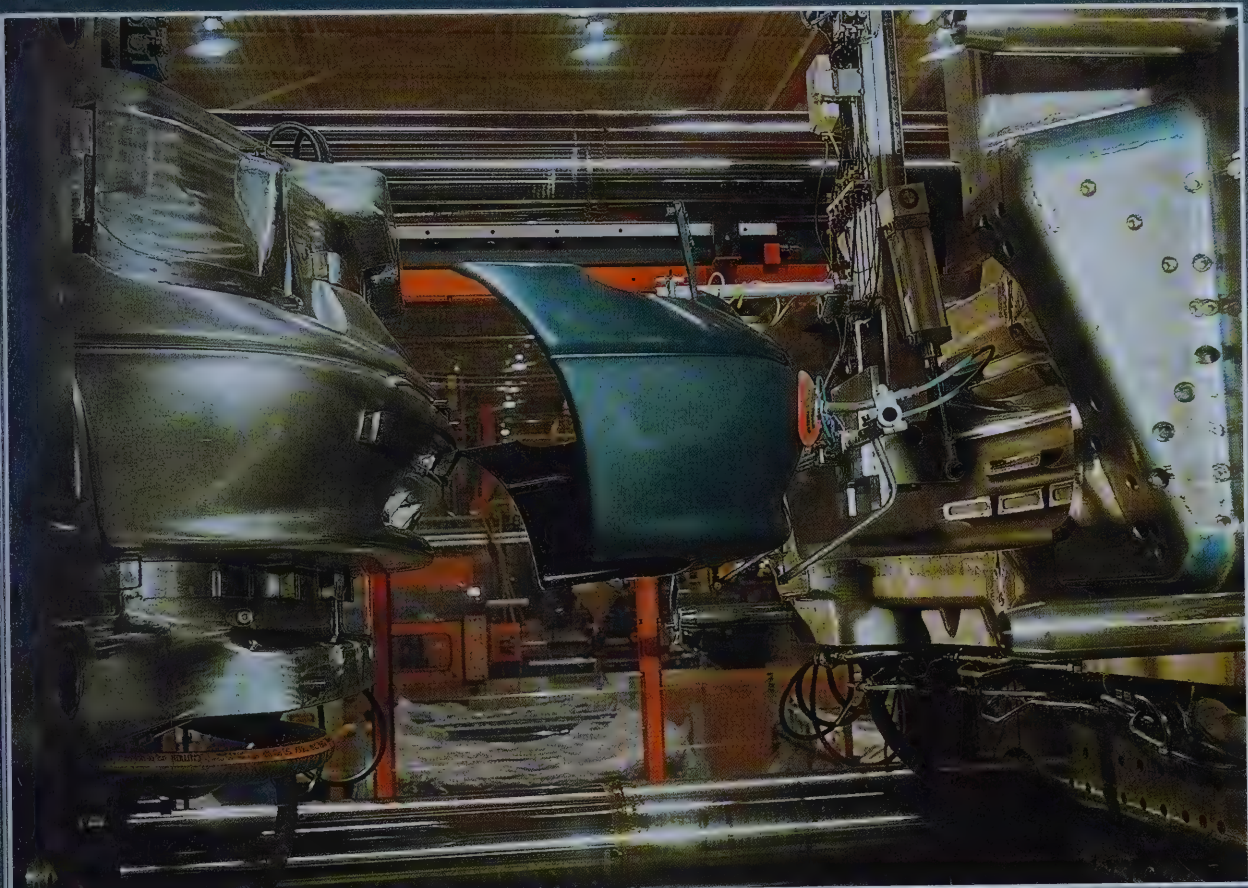
*Decoma manufactures plastic Corvette hard-tops using a low stress moulding technique.*

### **Technological Innovation**

Decoma is a leader in the development of high speed waterborne electrostatic painting, which offers superior transfer efficiency and lower costs. The group pioneered a technique for painting the all-plastic exterior of General Motors' new electric vehicle, scheduled to debut in California and Arizona later this year. The electric vehicle paint system marks the first time a full service supplier has painted an entire body exterior.

Innovations in large truckside plastic panels, where weight reduction, superior durability and design flexibility are critical, also present significant growth opportunities for Decoma.



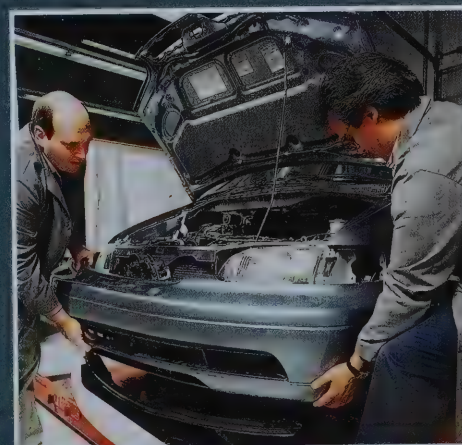


TOP: A Chrysler minivan front fascia is removed from a 4,000 tonne injection moulding machine

LEFT: This running board for the Ford Explorer demonstrates Decoma's integration. Four Decoma divisions manufacture and assemble the eight components within this running board system.

RIGHT: Dodge Viper rear valance panels get a clear coat paint test as an integral part of Decoma's Advanced Quality Planning process.

BOTTOM RIGHT: Part of Decoma's commitment to continuous improvement involves benchmarking. Here, Rob Passera, left, and Joe Cyr evaluate alternative attachment methods.





## **- COSMA -**

### **Metallic Body & Chassis Systems**



*Drive Automotive-produced stamped assemblies for the Z3 Roadster arrive at BMW's South Carolina assembly plant to be framed into a 'body-in-white'.*

#### **A Full Service Supplier**

Through its world-calibre metal stamping and roll-forming production facilities, Cosma provides the most comprehensive range of metallic body and chassis systems in the industry.

Complete modelling, styling, design, engineering and analysis capabilities, including feasibility studies, design drawings and production layouts, are offered through Cosma's design and engineering division, Vehma International.

In addition, each of Cosma's manufacturing divisions has in-house tooling and die-making capabilities — the cornerstone of Cosma's metallic body systems expertise — staffed with highly skilled and experienced tool and die makers.

#### **Systems Integration**

As a recent demonstration of Cosma's complete exterior body systems integration, the group developed a third metal door for the 1996 GMC Sierra full-size pick-up truck. Cosma program managed the tooling and fully designed, tested and manufactured the door system, which included an intrusion beam, door-integrated seat belt and other components.

Cosma also manufactures the complete 'body-in-white' — all of the major interior and exterior metal body systems — for the BMW Z3 Roadster. The fully assembled unit includes everything from the outer door and quarter panels to the hood, trunk and floor pan.



*At Cosma's Karmax Heavy Stamping, Guy Heroux inspects an inner body side panel for Ford's F150 Super Cab pick-up truck.*

#### **Technological Innovation**

Cosma is expanding the use of its revolutionary hydroforming technology to other applications such as frame cross members, full frame assemblies, radiator supports and engine cradles. The group also created a new process known as "hydropiercing", which uses water pressure to pierce tiny holes in metal tubing. This new process provides significant cost and time savings.

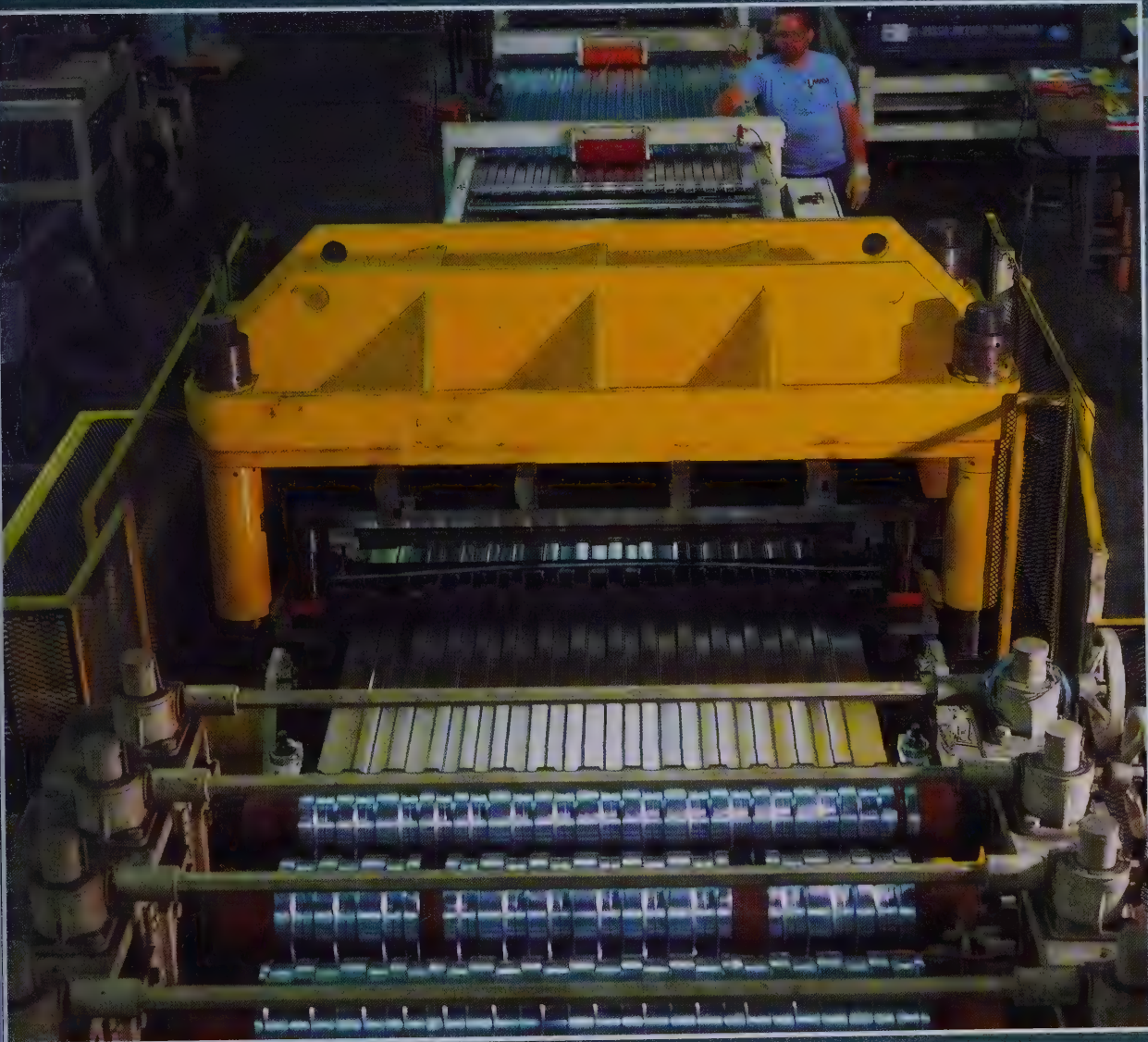
Cosma is also a recognized leader in roll-forming technology, used to manufacture everything from bumper impact bars to frame rails, floor pans and pick-up truck beds. The company recently introduced a new technology known as "stretch bending" to provide even greater metal product design flexibility.

#### **New Products**

The new GMC Vandura and Rally full-size vans contain floor pans manufactured using Cosma's wide roll-forming technology, while the new GMT 800 will feature an aluminum-extruded radiator support that offers weight savings and improved structural strength.

Cosma is also developing a 1999 pick-up truck chassis system containing all of the front, rear and centre chassis modules - a demonstration of the group's total chassis system expertise.





*TOP: With the aid of operator Bruce Bechtel, this rolling mill produces floor pans for a full-size General Motors van.*

*LEFT: This fully automated robotic weld line at Deco Automotive produces a radiator support for the Ford Ranger and Explorer every 23 seconds.*

*RIGHT: Vehma's Jeff York is milling a die for the hydroforming press. Cosma's revolutionary hydroforming technology reduces the weight and complexity of chassis components.*





## - TESMA - Powertrain, Fueling and Cooling Systems



*Pulley manufacturing at Roto-Form.*

Tesma International – Magna's global powertrain, fueling and cooling components and systems subsidiary – is a separate public company which employs more than 2,000 people at 15 manufacturing divisions in North America and Europe. Tesma's Class A Shares are listed for trading on The Toronto Stock Exchange (TSM.A) and the NASDAQ Stock Market (TSMF).

To align its global product and processing capabilities and encourage focused engineering and development activities, Tesma's manufacturing operations are organized in four "core" Technology areas: Rotational Drive Technology, Rotational Products Technology, Power Transfer Technology and Liquid Transfer Technology.

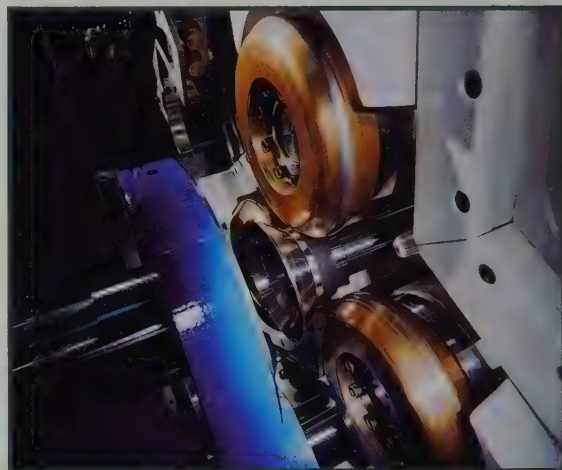
Tesma's Rotational Drive Technology is represented by the Litens Automotive Group, a pioneer and continuing leader in the development and supply of automatic belt tensioning devices and other highly engineered engine and drivetrain systems and components.

Tesma's Rotational Products Technology complements the Litens Automotive Group in the area of Front End Accessory Drive (F.E.A.D.) products. In addition to specialized stamping and spinning capabilities for the manufacture of "poly-V" sheet metal pulleys for alternator, crankshaft, water pump, air conditioning and power steering pump applications, Rotational Products Technology also includes the moulding of lightweight phenolic pulleys and other thermoset plastic components.

Tesma's Power Transfer Technology encompasses various unique or proprietary manufacturing capabilities, including die-forming, flow-forming, stamping and spinning, synchronous roll-forming, high-pressure aluminum die-casting and precision fineblanking.



*Assembly cell at Litens.*



*Flow forming at M.S.M.*

Tesma's Liquid Transfer Technology, represented by the Blau Group of Companies, uses metal processing, injection moulding and automated assembly and testing capabilities to supply specialized fueling and cooling products. Blau's product designers and engineers are working jointly with major vehicle manufacturers in Europe and North America to develop refueling vapour recovery mechanisms, "capless" comfort refueling systems and water management systems using encapsulated metal/plastic components.

During fiscal 1996, as part of Tesma's global strategy to supply increasingly advanced, highly engineered components and modules, a fifth area of focus, Tesma Powertrain Modules, was established. Tesma Powertrain Modules leverages the engineering and production capabilities of Tesma's four Technology areas to offer innovative powertrain modules for strategically targeted applications, including engine and transmission oil pumps, water pumps and integrated front engine covers.





TOP: Injection moulding at Blau

LEFT: Automated assembly cells at Blau

RIGHT: Flexplate line at Pullmatic

BOTTOM RIGHT: Spinning and machining at Spliteraft







*MES's Uwe Adres operates a vibration moulding machine which manufactures the Audi A8 bumper.*

## A Full Service Supplier

Magna Europe is comprised of five major groups, each specializing in a specific vehicle systems area. These groups, which mirror the systems integration capabilities of the systems corporations in North America, include: MATAG, the metal body and chassis systems group; MST, the safety systems group; MIS, the interior systems group; MMS, the mirror systems group; and MES, the exterior systems group.

Magna Europe recently established a systems development group, MEC, which will specialize in the design and engineering of door and chassis systems that combine latch and lock assemblies with interior panels. The group will also begin developing seating systems to round out Magna Europe's interior systems capabilities.

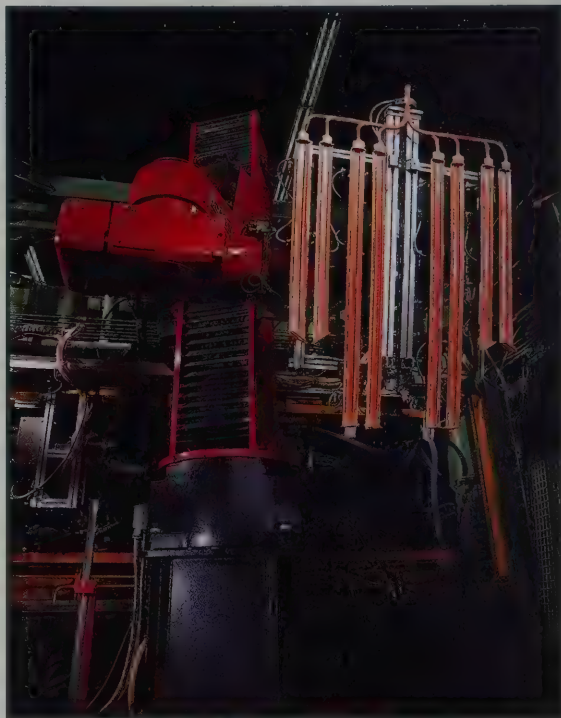
Magna Europe also operates a state-of-the-art, internationally recognized test facility with a full range of testing capabilities.

## Innovation Capabilities

MATAG is a full-service supplier for the SMART car. This micro-compact vehicle, which will be released in 1998, is the product of a joint venture between Mercedes Benz and the Swiss maker of the famous Swatch watch. MATAG's systems responsibilities include engineering, prototyping, tooling management, stamping part production and assembly for the new chassis concept developed by Mercedes.

This project involves total planning, engineering and the construction of a customer-dedicated assembly line, as well as the serial production of the body frame.

The MST group - a world leader in automotive safety systems - developed side airbags and the industry's first steering wheel-integrated airbag system.



*MES manufactures body side mouldings for the Mercedes C Class.*

The MMS group provides full-service capability in conventional mirror systems as well as in developing new mirror technologies. The group supplies all current optical visualization systems and introduced further technological developments with signal mirrors and automatic positioning systems for interior and exterior mirrors.

The MIS group offers high complexity competence in instrument panels, cockpits and door panels. Covering a wide range of process technologies for interior systems, the group's full service capability is well-recognized with the OEMs.

Recently acquired Magna Pebra GmbH is a key part of the MES exterior systems group. They manufacture the complete front and rear bumper systems for the 1997 Mercedes SLK Roadster and the Audi A8.

## Future Opportunities

Globalization of the European market continues, offering new opportunities for Magna Europe. Magna is expanding its presence in Europe's major markets - Germany and Great Britain - and is focusing intensively on secondary markets in Eastern Europe, France, Italy, Scandinavia and Spain.

Magna Europe will further broaden engineering, design, testing and program management capabilities, and extend its technology base to meet customers' demands.





TOP: MATAG is project managing the chassis for the SMART car. The group will engineer, prototype, tool and produce a complete sheet metal shell for the micro-compact vehicle.

LEFT: Catherine Wilton does final assembly on a Rover 800 door panel at one of MIS's manufacturing locations in the U.K.

RIGHT: Sener Yardimci, shown here, produces light-weight steering wheel skeletons on this aluminum/magnesium die-casting machine.

BOTTOM RIGHT: MMS focuses on continuous improvement in mirror technology and is responsible for developing advanced technologies such as mirror signaling and automatic positioning.





## - THE YEAR IN REVIEW -

### Debt Sale Raises Cash for Acquisitions

*October, 1995* – Magna issues US \$345 million of 5% convertible debentures to raise cash for strategic acquisitions which will strengthen the Company's existing product base or add new processes or technologies to its capabilities. This is part of the Company's plan to achieve its global business strategy.

### Magna Wins SMART Contract

*March, 1996* – Magna's European metallic body and chassis systems group, MATAG, wins a contract to produce space frames and the complete 'body-in-white' for the SMART vehicle. The SMART vehicle, a product of a joint venture between Daimler Benz and SMH, the Swiss maker of the famous Swatch watch, is a new mini-car that will hit the European market in 1998.



Magna held a celebration for employees in July to mark receiving General Motors Corporation of the Year Award, for the second consecutive year. At the celebration above, from left, GM's John Stiles, Executive Director – Metallic, Worldwide Purchasing; Magna's Don Walker, President and Chief Executive Officer; and GM's Lawrence Worrall, Vice-President, Purchasing, Strategic Planning and Operations, cut the cake.

### Magna Acquires Leading European Interior Systems Supplier

*March, 1996* – Magna buys the Marley Automotive Components Group, a leading interior components supplier composed of six manufacturing divisions and one joint venture, all located in the U.K. The acquisition adds strength to one of Magna's core product lines – interiors – and adds to the Company's customer and sales base while broadening its European process and product capability.

### New Hydroforming Facility Slated for Ontario

*April, 1996* – Magna announces St. Thomas, Ontario as the location of a 60,000 square metre (650,000 square foot) facility to manufacture truck frames using a revolutionary metal forming technology called hydroforming. When the plant reaches capacity in 1998, it will produce approximately 1.2 million truck frames each year for full-size pick-up trucks and sport utility vehicles.

### Magna Acquires Exterior Systems Group

*May, 1996* – Magna reaches an agreement to buy the automotive operations of German-based Pebra GmbH Paul Braun. Pebra has 1,000 employees and four locations and a research and development centre in Germany. The company manufactures plastic and metal exterior components and systems. This acquisition strengthens Magna's customer base, sales base and European product and process capability in another core product line.

### Equity Offering Raises Additional Investment Capital

*June, 1996* – By issuing new Class A shares, Magna adds \$506 million to cash set aside for strategic acquisitions to further its global business strategy.

### Magna Wins GM Worldwide Corporation of the Year Award – 2nd Year in a Row

*July, 1996* – Magna and Cosma celebrate receiving the 1995 General Motors Corporation of the Year Award for the second year in a row. The two were chosen from among 30,000 suppliers worldwide.

### Construction Begins on New Atoma Interiors Facility in Michigan

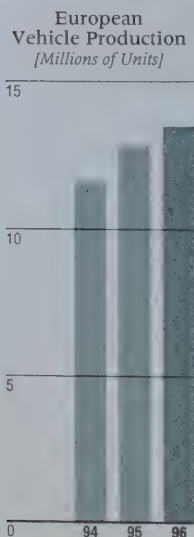
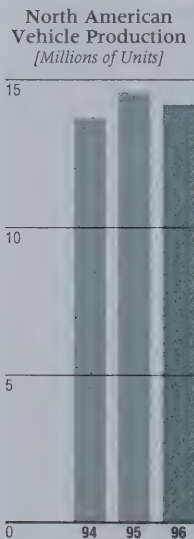
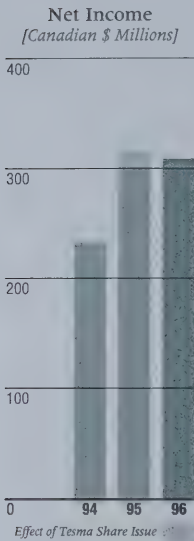
*July, 1996* – Magna hosts the governor of Michigan and other city, county and state officials at a groundbreaking ceremony in Brighton, Michigan for Atoma Interior Systems' new manufacturing facility. The 13,000 square-metre (138,000 square-foot) plant is expected to be completed by January, 1997 and will manufacture instrument panels and door panels.



|                                                         |         |
|---------------------------------------------------------|---------|
| Management's Discussion and Analysis                    | 24 – 28 |
| Reports to Shareholders                                 | 29      |
| Significant Accounting Policies                         | 30      |
| Consolidated Statements of Income and Retained Earnings | 31      |
| Consolidated Statements of Cash Flows                   | 32      |
| Consolidated Balance Sheets                             | 33      |
| Notes to the Consolidated Financial Statements          | 34 – 40 |
| Eleven Year Financial Summary                           | 41      |
| Supplementary Financial and Share Information           | 42      |
| Other Shareholder Information                           | 43      |



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION



The following is a comparison of Magna's results of operations and financial condition for the 1996 and 1995 fiscal years. The fiscal 1995 comparative amounts have been restated to reflect the Company's retroactive adoption of the proportionate consolidation method of accounting for its investments in jointly controlled entities as required under Canadian generally accepted accounting principles. Such investments were formerly accounted for using the equity method. Under the proportionate consolidation method, the Company includes its proportionate share of the assets, liabilities, sales, expenses and cash flows of its jointly controlled entities in the Company's consolidated financial statements. Net income, earnings per share and total shareholders' equity are unaffected by proportionate consolidation.

**Overview:** During fiscal 1996, Magna continued to implement its long-term strategic plan of expanding its product and technical capabilities and strengthening its position as a full service systems supplier to the global automotive industry. The Company acquired the Marley Automotive Components Group ("MAC Group"), a U.K. based automotive interiors systems supplier from Marley plc for a purchase price of \$110.0 million. The MAC Group designs, manufactures and sequences instrument panels, consoles, glove boxes, door trim panels and other interior and exterior components and systems for OEM customers located in Europe. Magna also acquired substantially all of the German based automotive operations and assets of Pebra GmbH Paul Braun ("Pebra") for \$28.9 million. Pebra supplies plastic and metallic exterior components and systems, including fascias, body side mouldings and panels, trim products, drip and windshield mouldings and door frames for OEM customers located in Europe. Additionally, one of Magna's European subsidiaries was awarded the space frame production contract for the "Smart" micro compact car, which is expected to be in production in France in calendar 1998. During the first quarter of fiscal 1997, Magna acquired all of the outstanding common shares of Douglas & Lomason Company ("D&L"), a worldwide automotive supplier of seating systems, frames, covers, foam and mechanisms for approximately \$185 million.

Magna follows a corporate policy of functional and operational decentralization. It conducts its operations through facilities which function as autonomous operating units. Facilities are then grouped geographically and along product lines into operating groups in order to align Magna on a product line basis with the purchasing groups of its OEM customers. Magna's North American automotive operations are divided into the following five core automotive operating groups: Atoma Interiors Group ("Atoma Interiors"), which supplies seating systems, safety restraint systems and interior panels; Atoma Hardware and Door Systems Group ("Atoma Hardware"), which produces door hardware and closure systems; Cosma International Inc. ("Cosma"), a metallic body and chassis systems supplier; Decoma International Inc. ("Decoma"), a supplier of vehicle appearance systems; and Tesma International Inc. ("Tesma"), a supplier of engine, powertrain, fuelling and cooling components and systems. Magna's European automotive operations, other than Tesma's European automotive subsidiaries ("Magna Europe"), are principally managed as a business separate from the Company's North American automotive operating groups and are currently divided by product line into the following five principal automotive operating groups: Magna Automobiltechnik AG ("MATAG") (stamping), MST Automotive GmbH ("MST") (safety systems and steering wheels), Magna Reflex Holdings GmbH/Auteca division of Magna Holding AG ("MMS") (mirrors), Magna Interior Systems ("MIS") (interior components and systems), and Magna Exterior Systems ("MES") (exterior systems).

Magna's results are directly affected by Magna's average production content per vehicle and the levels of North American and European car and light truck production. As a result of the globalization of the automotive industry and the related requirements for increased global engineering and product sourcing, as well as increased outsourcing by OEM customers, Magna expects continued cross-fertilization of technology between North America and Europe and continued customer penetration during fiscal 1997, thereby increasing Magna's average content per vehicle in both markets.



Car and light truck production volumes for fiscal 1996 were 14.2 million units and 13.5 million units for North America and Europe, respectively, representing a 3% decline in North American production and a 5% increase in European production from the prior fiscal year. The contracts between each of the United Automobile, Aerospace and Agricultural Implement Workers of America ("UAW") and the National Automobile, Aerospace and Agricultural Implement Workers Union of Canada ("CAW") and each of the three major North American OEMs will be re-negotiated during fiscal 1997. Among other things, union job security concerns (including concerns relating to outsourcing) and wage and benefit levels are expected to be major issues in such negotiations. Magna is unable to predict the outcome of these negotiations but any prolonged strike at any of these OEMs would likely result in a significant decline in production volumes of the affected OEM. Any significant decline in such production volumes as a result of any strike would likely have a material adverse effect on Magna's results. Although there can be no certainty as to future levels of car and light truck production, management expects car and light truck production volumes for fiscal 1997 excluding the impact, if any, of any strike in North America, to be approximately 14.0 million units in North America and approximately 13.7 million units in Europe.

## RESULTS OF OPERATIONS

**Sales:** The Company's consolidated sales increased by 22.1% to \$5,856.2 million for fiscal 1996 compared to \$4,795.4 million for fiscal 1995. This reflects North American production sales increasing to \$3,949.6 million compared to \$3,397.5 million, European production sales increasing to \$1,190.8 million compared to \$877.4 million and consolidated tooling sales increasing to \$715.8 million compared to \$520.5 million, in each case for fiscal 1996 compared to fiscal 1995.

Despite a decline in North American vehicle production for fiscal 1996, Magna's North American production sales increased by 16.3% or \$552.1 million over the prior fiscal year to \$3,949.6 million. This increase resulted from an improvement in Magna's average North American production content per vehicle, reflecting new production programs that commenced in the latter part of fiscal 1995 and in fiscal 1996 and, in particular, to higher production volumes and improved production content per vehicle for the new Chrysler minivans.

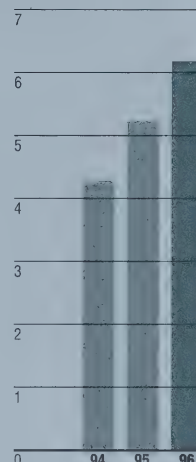
European production sales for fiscal 1996 increased by 35.7% or \$313.4 million over fiscal 1995 to \$1,190.8 million primarily as a result of: (i) higher European production volumes and increased production content per vehicle; (ii) the inclusion of the full year results of Eybl Durmont AG ("Eybl") and the Blau Europe Group, which were both acquired during the fourth quarter of fiscal 1995; and (iii) the acquisition of the MAC Group during the third quarter of fiscal 1996.

Tooling sales included in consolidated sales increased by 37.5% or \$195.3 million in fiscal 1996 to \$715.8 million, reflecting continued involvement by Magna in new programs and vehicle launches by OEM customers.

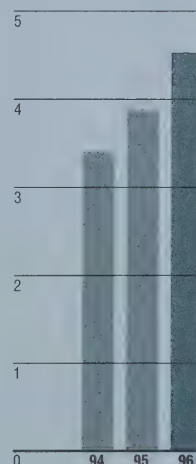
Managed sales, which include 100% of sales of jointly controlled entities, totalled approximately \$6.2 billion for fiscal 1996 compared to \$5.2 billion during fiscal 1995 (of which \$0.3 billion and \$0.4 billion were not included in the Company's consolidated sales for such years, respectively).

Atoma Interior's total sales of \$1,336 million for fiscal 1996 increased by 34.4% or \$342 million over fiscal 1995 primarily as a result of increased production volumes and increased production content per vehicle for the new Chrysler minivans. Atoma Hardware's total sales for fiscal 1996 of \$513 million increased by 14.0% or \$63 million over fiscal 1995, due primarily to the startup of the new Chrysler minivans for which it began to supply substantially all of the closure systems and related mechanisms. Cosma's total sales of \$1,650 million for fiscal 1996 increased by 14.1% or \$204 million over fiscal 1995, which was attributable to increased production content per vehicle, new production startups and increased tooling sales in support of future years' production.

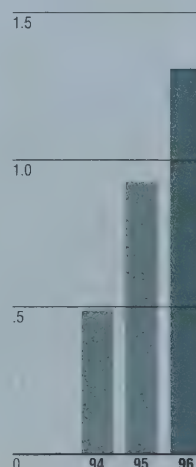
Managed Sales  
[Canadian \$ Billions]



North American Sales  
[Canadian \$ Billions]

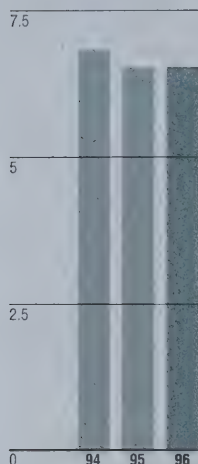


European Sales  
[Canadian \$ Billions]

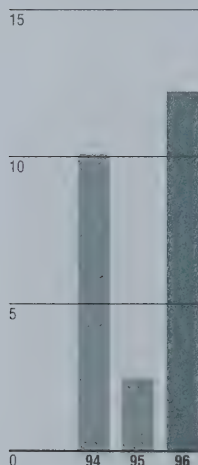




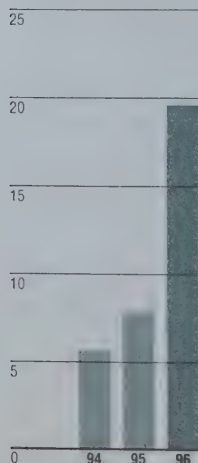
**S,G&A**  
[% of Sales]



**Interest Expense**  
[Canadian \$ Millions]



**Equity Income**  
[Canadian \$ Millions]



Decoma's total sales of \$716 million for fiscal 1996 increased by 5.9% or \$40 million over the prior year, due to increased production content per vehicle, new production startups and increased tooling sales. Tesma's total sales of \$456 million for fiscal 1996 were 13.7% or \$55 million higher than fiscal 1995 due to increased North American and European production content per vehicle and the acquisition of the Blau Europe Group in the fourth quarter of fiscal 1995. Magna Europe's total sales of \$1,226 million for fiscal 1996 have increased by 44.1% or \$375 million over fiscal 1995. This improvement was as a result of an increase in European vehicle production, increased European production content per vehicle and tooling sales, the fourth quarter fiscal 1995 acquisition of Eybl and the third quarter fiscal 1996 acquisition of the MAC Group. The sales amounts in this paragraph are before intercompany eliminations.

Substantially all of Magna's sales are generated from the sale of automotive components, assemblies, parts and tooling to North American and European OEMs. Approximately 38% and 35% of Magna's production sales during fiscal 1996 and fiscal 1995, respectively, were in respect of products supplied for inclusion in five vehicle body types (including approximately 21% and 16% supplied for the Chrysler minivans during fiscal 1996 and fiscal 1995, respectively).

**Facilities:** As of July 31, 1996, Magna had 104 manufacturing facilities (including seven joint venture facilities), of which 71 are in North America and 33 are in Europe, as well as 18 product development/testing/engineering facilities. The acquisition of D&L in the first quarter of fiscal 1997 resulted in the addition of 14 manufacturing facilities (including three joint venture facilities) and an engineering facility.

**Gross Margin:** Gross margin, as a percentage of sales, for fiscal 1996 was 17.8% compared to 19.6% for fiscal 1995. This decline in gross margin percentage was a result of a reduction in North American margins principally attributable to costs relating to major new vehicle program launches, additional engineering costs for the design and development of new products for future production, lower North American vehicle volumes, continued customer pricing pressures and raw material price increases, as well as an increase in low margin tooling sales, offset partially by an improvement in European margins which was primarily attributable to improved operating efficiencies at Magna's European operations.

The competitive environment within the automotive industry has caused OEMs to increase pressure on suppliers for price concessions. Although there can be no certainty regarding Magna's ability to successfully respond to future competitive pressures, Magna has in the past been successful in substantially offsetting required pricing concessions through improved operating efficiencies and cost reductions and believes that its current cost reduction programs will enable it to remain competitive.

**S,G&A:** Although selling, general and administrative expenses of \$377.8 million for fiscal 1996 increased by \$64.1 million over fiscal 1995, selling, general and administrative expenses as a percentage of consolidated sales remained unchanged at 6.5% for fiscal 1996 in comparison to the prior fiscal year. The dollar increase in these expenses was principally attributable to the higher level of sales activity during fiscal 1996 and the selling, general and administrative expenses of the European subsidiaries acquired during fiscal 1996 and 1995.

**Interest Expense:** Interest expense (net of interest income) increased during fiscal 1996 by \$9.7 million to \$12.2 million, compared to \$2.5 million for fiscal 1995. This reflects additional interest expense incurred by the Company as a result of its two recent convertible subordinated debenture offerings, the first completed in the fourth quarter of fiscal 1995 and the second completed in the first quarter of fiscal 1996, partially offset by interest income from the investment of higher cash balances maintained during fiscal 1996.

**Equity Income:** Income from equity accounted investments improved by \$11.8 million to \$19.6 million for fiscal 1996, compared to \$7.8 million for fiscal 1995. The increase in equity income is due to increased sales and operating results of equity accounted investments.



## Financial Review

**Operating Income:** Operating income for fiscal 1996 was \$484.3 million, compared to \$468.1 million for fiscal 1995. The increase in operating income reflects higher sales and an increase in equity income that were partially offset by a lower gross margin percentage and increases in selling, general and administrative costs, depreciation and amortization charges and interest expense.

**Other Income:** During fiscal 1995, the Company recognized a gain of \$17.0 million from the reduction of its ownership interest in Tesma, a wholly owned subsidiary of the Company, which issued treasury shares through a public offering.

**Segmented Income:** Magna's North American operations, consisting of operations in Canada, United States and Mexico, and Magna's European operations generated income before corporate expenses, income taxes and minority interest expense ("segmented income") of \$512.6 million and \$49.4 million during fiscal 1996, respectively. This represents improvements in segmented income during fiscal 1996 of \$5.7 million in North America and \$20.6 million in Europe over the prior fiscal year. The improvement during fiscal 1996 in North American segmented income was attributable to increased North American sales and equity income, offset in part by a lower gross margin percentage, increased selling, general and administrative expenses and depreciation and amortization costs. Increased European sales, gross margin percentage and equity income, partially offset by increases in selling, general and administrative expenses and depreciation and amortization costs resulted in the improvement in European segmented income during fiscal 1996 compared to fiscal 1995. See Note 15 to the Consolidated Financial Statements for additional information.

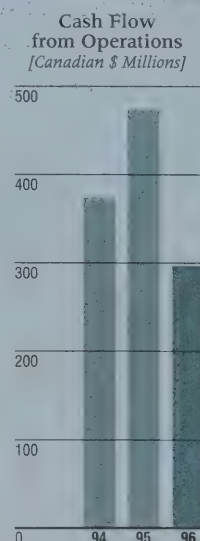
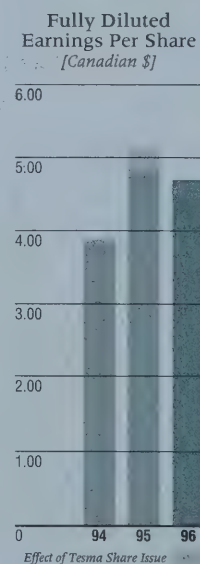
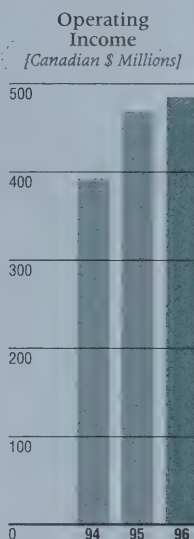
**Income Taxes:** Magna's effective income tax rate for fiscal 1996 was 32.2%. Prior to the non-taxable gain recognized in the prior year from the reduction in Magna's ownership interest in Tesma, Magna's comparable effective income tax rate for fiscal 1995 was 33.4%. The reduction of 1.2% during the current fiscal year primarily reflects the higher level of equity income recognized in fiscal 1996 over fiscal 1995, which is not subject to tax, and an improvement in foreign rate differentials.

**Minority Interest:** Minority interest expense for fiscal 1996 increased by \$7.6 million over fiscal 1995 to \$19.3 million, reflecting an increase in earnings of subsidiaries in which there are minority interest shareholders.

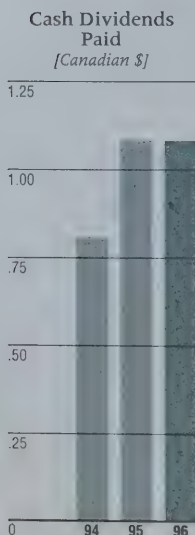
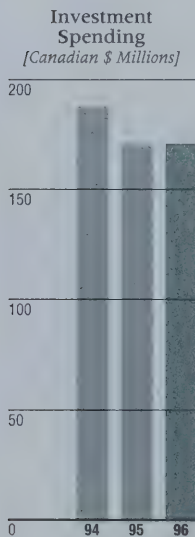
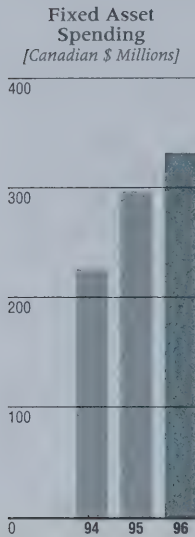
**Earnings Per Share:** On a fully diluted basis, earnings per share for fiscal 1996 was \$4.71 as compared to \$5.16 for fiscal 1995. Excluding the gain on the issue of shares by Tesma, fiscal 1995 fully diluted earnings per share would have been \$4.88. The average number of shares outstanding for fiscal 1996 on a fully diluted basis was approximately 69.6 million shares or approximately 8.0 million higher than in fiscal 1995, primarily as a result of the issuances of convertible subordinated debentures by the Company in the fourth quarter of fiscal 1995 and in the first quarter of fiscal 1996 and the issuance of Class A Subordinate Voting Shares during the fourth quarter of fiscal 1996.

### FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

**Cash Flow from Operations:** During fiscal 1996, cash flow from operations before changes in non-cash working capital increased by \$49.5 million over the prior fiscal year to \$521.9 million. Cash invested in non-cash working capital during fiscal 1996 increased by \$225.4 million over fiscal 1995 principally as a result of increases in accounts receivable and inventories attributable to the higher sales levels in fiscal 1996, offset partially by an increase in accounts payable. Overall, cash flow from operations for fiscal 1996 was \$297.0 million, representing a decline of \$175.9 million from the prior fiscal year.







**Capital and Investment Spending:** Capital spending totalled \$330.7 million for fiscal 1996, compared to \$295.6 million for fiscal 1995, reflecting principally higher fixed asset spending to support increased production activities. Investment and other spending for fiscal 1996 of \$170.6 million was identical to fiscal 1995 and included \$110.0 million and \$28.9 million for the acquisitions of the MAC Group and Pebra, respectively. Capital and investment spending for existing businesses and projects is expected to be between \$785 million and \$835 million for fiscal 1997, including the acquisition of D&L in the first quarter of fiscal 1997 for approximately \$185 million. The majority of the current and upcoming years' capital spending relates to new production contracts awarded, maintenance improvements and planned efficiency enhancements. Management believes Magna is in a position to meet all planned cash requirements from its cash balances on hand, existing financing facilities and funds from operations.

**Foreign Currency Activities:** Magna's North American operations negotiate sales contracts with North American OEMs for payment in both Canadian and U.S. dollars. Materials and equipment are purchased in various currencies depending upon competitive factors, including relative currency values. The North American operations use labour and materials which are paid for in both Canadian and U.S. dollars.

Magna's European operations negotiate sales contracts with European OEMs for payment principally in German Deutschmarks. The European operations material, equipment and labour are paid for principally in Deutschmarks or Austrian Schillings, a currency which historically has had a stable rate of exchange with the Deutschmark.

Magna employs hedging programs, primarily through the use of foreign exchange forward contracts, in an effort to manage the foreign exchange exposure which arises when manufacturing facilities have committed to the delivery of products for which the selling price has been quoted in foreign currencies. These commitments represent contractual obligations by Magna to deliver products over the duration of the product programs which can be for a number of years. The amount and timing of the forward contracts will be dependent upon a number of factors, such as anticipated production delivery schedules and anticipated production costs, which may be paid in the foreign currency. Despite these measures, significant long-term fluctuations in relative currency values could affect Magna's results of operations, particularly a significant change in the value of the Canadian dollar against the U.S. dollar or the Deutschmark.

**Financing:** In June 1996, the Company issued through a public offering 8.165 million Class A Subordinate Voting Shares for net cash proceeds, after deducting underwriting fees and related expenses, of \$506.0 million. On October 17, 1995, the Company completed the public offering and sale in the United States of 5% convertible subordinated debentures for net cash proceeds, after deducting underwriting fees and related expenses, of Cdn. \$454.1 million. Proceeds of the offerings continue to be used for the acquisition of and investments in businesses which expand or are complementary to Magna's product base, investments in fixed and other assets, new process and product technology spending as well as for general corporate purposes.

**Dividends:** The Company has declared cash dividends of \$0.27 per share in each quarter of fiscal 1996 on the outstanding Class A Subordinate Voting Shares and Class B Shares, which is identical to the dividends declared during the prior fiscal year. Dividend payments have been financed out of cash flow from operations.

**Pending Accounting Changes:** The Canadian Institute of Chartered Accountants has issued new accounting recommendations for the presentation and disclosure of financial instruments. The Company will adopt these recommendations on a retroactive basis commencing in fiscal 1997. See Note 10[iii] to the Consolidated Financial Statements for additional information.



## Reports to Shareholders

### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Magna's management is responsible for the preparation and presentation of the consolidated financial statements and all the information in this Annual Report. The consolidated financial statements were prepared by management in accordance with generally accepted accounting principles. Where alternative accounting methods exist, management has selected those it considered to be most appropriate in the circumstances. Financial statements include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis designed to ensure that the consolidated financial statements are presented fairly, in all material respects. Financial information presented elsewhere in this Annual Report has been prepared by management to ensure consistency with that in the consolidated financial statements. The consolidated financial statements have been reviewed by the Audit Committee and approved by the Board of Directors of Magna.

Management is responsible for the development and maintenance of systems of internal accounting and administrative cost controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is accurate, relevant and reliable and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Company's Audit Committee is appointed by its Board of Directors annually and is comprised solely of outside directors. The Committee meets periodically with management, as well as with the independent auditors, to satisfy itself that each is properly discharging its responsibilities, to review the consolidated financial statements and the independent auditors' report and to discuss significant financial reporting issues and auditing matters. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders.

The consolidated financial statements have been audited by Ernst & Young, the independent auditors, in accordance with generally accepted auditing standards on behalf of the shareholders. The Auditors' Report outlines the nature of their examination and their opinion on the consolidated financial statements of the Company. The independent auditors have full and unrestricted access to the Audit Committee.

Magna International Inc.

October 14, 1996

### AUDITORS' REPORT

To the Shareholders of **Magna International Inc.**

We have audited the consolidated balance sheets of Magna International Inc. as at July 31, 1996 and 1995 and the consolidated statements of income and retained earnings and cash flows for each of the years in the three-year period ended July 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 1996 and 1995 and the results of its operations and the changes in its financial position for each of the years in the three-year period ended July 31, 1996 in accordance with accounting principles generally accepted in Canada.



Toronto, Canada,  
September 6, 1996.  
[except for note 20 which is  
as of October 14, 1996].

Ernst & Young  
Chartered Accountants



## Significant Accounting Policies

### Basis of Presentation

The consolidated financial statements have been prepared in Canadian dollars following accounting policies generally accepted in Canada. These policies are also in conformity, in all material respects, with accounting policies generally accepted in the United States except as described in note 18 to the consolidated financial statements.

### Principles of Consolidation

The consolidated financial statements include the accounts of Magna International Inc. and its subsidiaries [the "Company"], some of which have a minority interest. The Company accounts for its interests in jointly controlled entities using the proportionate consolidation method. All significant intercompany balances and transactions have been eliminated.

### Cash

Cash includes cash on account, demand deposits and short-term investments with original maturities of less than three months and excludes outstanding cheques which are classified as accounts payable.

### Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being determined substantially on a first-in, first-out basis. Cost includes the cost of materials plus direct labour applied to the product and the applicable share of manufacturing overhead.

### Investments

The Company accounts for its investments in which it has significant influence on the equity basis.

### Fixed Assets

Fixed assets are recorded at historical cost including interest capitalized on construction in progress and land under development less related investment tax credits.

Depreciation is provided on a straight-line basis over the estimated useful lives of fixed assets at annual rates of 2 1/2% to 5% for buildings, 7% to 10% for general purpose equipment and 10% to 30% for special purpose equipment. Costs incurred in establishing new facilities which require substantial time to reach commercial production capability are capitalized as deferred preproduction costs. Amortization is provided over periods up to five years from the date commercial production is achieved.

### Goodwill

Goodwill, which represents the excess of the purchase price of the Company's interest in subsidiary companies over the fair value of the underlying net identifiable assets arising on acquisitions, is amortized over periods not exceeding 40 years. On an ongoing basis, the Company reviews the valuation and amortization periods of goodwill. In doing so, the Company evaluates whether there has been a permanent impairment in the value of unamortized goodwill based on the estimated fair value of each business to which the goodwill relates.

### Revenue Recognition

Revenue from sales of manufactured products is recognized upon shipment to customers.

### Government Financing

The Company makes periodic applications for financial assistance under available government assistance programs in the various jurisdictions in which the Company operates. Grants relating to capital expenditures are reflected as a reduction of the cost of the related assets. Grants and tax credits relating to current operating expenditures are recorded as a reduction of expense at the time the eligible expenses are incurred. The Company also receives loans which are recorded as liabilities in amounts equal to the cash received.

### Research and Development

The Company carries on various applied research and development programs, certain of which are partially or fully funded by government or by customers of the Company. Funding received is accounted for using the cost reduction approach. Research costs are expensed as incurred and development costs which meet certain criteria where future benefit is reasonably certain are deferred to the extent of their estimated recovery.

### Foreign Exchange

Assets and liabilities of foreign subsidiaries are translated using the exchange rate in effect at the year-end and revenues and expenses are translated at the average rate during the year. Exchange gains or losses on translation of the Company's net equity investment in these subsidiaries are deferred as a separate component of shareholders' equity. The appropriate amounts of exchange gains or losses accumulated in the separate component of shareholders' equity are reflected in income when there is a reduction in the Company's investment in these subsidiaries as a result of capital transactions.

Foreign exchange gains and losses on transactions during the year are reflected in income except for gains and losses on foreign exchange forward contracts used to hedge specific future commitments in foreign currencies. Gains or losses on these contracts are accounted for as a component of the related hedged transaction.

Gains and losses on translation of foreign currency long-term liabilities are deferred and amortized over the period to maturity.

### Income Taxes

The Company follows the deferral method of tax allocation in accounting for income taxes. Under this method, timing differences between accounting and taxable income result in the recording of deferred income taxes.

Investment tax credits relating to fixed asset purchases and research and development expenses are accounted for as a reduction of the cost of such assets and expenses, respectively.

### Earnings Per Share

Basic earnings per share are calculated on the weighted average number of shares outstanding during the year. The weighted average number of shares is calculated on the assumption that all convertible subordinated debentures converted into Class A Subordinate Voting Shares during the year were converted on the dates of the last interest payments.

Fully diluted earnings per share are calculated on the weighted average number of shares that would have been outstanding during the year had all the dilutive options and convertible subordinated debentures been exercised or converted into Class A Subordinate Voting Shares at the beginning of the year, or date of issuance, if later. The earnings applicable to the Class A Subordinate Voting Shares and Class B Shares are increased by the amount of interest, net of applicable taxes, that would have been earned on funds received due to the exercise of the options and by the amount of interest expense, net of applicable taxes, that would have been eliminated due to the conversion of the convertible subordinated debentures.

### Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the amounts reported in the consolidated financial statements. Actual results could differ from these estimates.



## Consolidated Statements of Income and Retained Earnings

[Canadian dollars in millions, except per share figures]

Years ended July 31

|                                                  | Note | 1996      | 1995      | 1994      |
|--------------------------------------------------|------|-----------|-----------|-----------|
| Sales                                            |      | \$5,856.2 | \$4,795.4 | \$3,883.9 |
| Cost of goods sold                               |      | 4,811.2   | 3,855.7   | 3,085.5   |
| Depreciation and amortization                    |      | 190.3     | 163.2     | 137.6     |
| Selling, general and administrative              |      | 377.8     | 313.7     | 263.9     |
| Interest expense                                 | 9    | 12.2      | 2.5       | 10.1      |
| Equity income                                    |      | (19.6)    | (7.8)     | (5.6)     |
| Operating income                                 |      | 484.3     | 468.1     | 392.4     |
| Other income                                     | 3    | 17.0      |           |           |
| Income before income taxes and minority interest |      | 484.3     | 485.1     | 392.4     |
| Income taxes                                     | 8    | 156.0     | 156.4     | 140.1     |
| Minority interest                                |      | 19.3      | 11.7      | 17.9      |
| Net income                                       |      | 309.0     | 317.0     | 234.4     |
| Retained earnings, beginning of year             |      | 561.8     | 329.5     | 164.3     |
|                                                  |      | 870.8     | 646.5     | 398.7     |
| Dividends on Class A Subordinate                 |      |           |           |           |
| Voting Shares and Class B Shares                 |      | 68.2      | 65.2      | 45.9      |
| Surrender of stock options                       | 16   |           | 19.5      | 23.3      |
| Retained earnings, end of year                   |      | \$ 802.6  | \$ 561.8  | \$ 329.5  |
| Earnings per Class A Subordinate                 |      |           |           |           |
| Voting Share or Class B Share:                   |      |           |           |           |
| Basic                                            |      | \$ 4.97   | \$ 5.20   | \$ 4.18   |
| Fully diluted                                    |      | \$ 4.71   | \$ 5.16   | \$ 3.87   |
| Cash dividends paid per Class A                  |      |           |           |           |
| Subordinate Voting Share or Class B Share        |      | \$ 1.08   | \$ 1.08   | \$ 0.81   |
| Average number of Class A Subordinate Voting     |      |           |           |           |
| Shares and Class B Shares outstanding during     |      |           |           |           |
| the year [in millions]:                          |      |           |           |           |
| Basic                                            |      | 62.2      | 61.0      | 56.0      |
| Fully diluted                                    |      | 69.6      | 61.6      | 61.6      |

See accompanying notes



## Consolidated Statements of Cash Flows

| <i>[Canadian dollars in millions]</i>                                                  |      | <i>Years ended July 31</i> |         |         |
|----------------------------------------------------------------------------------------|------|----------------------------|---------|---------|
|                                                                                        | Note | 1996                       | 1995    | 1994    |
| <b>Cash provided from (used for):</b>                                                  |      |                            |         |         |
| <b>OPERATING ACTIVITIES</b>                                                            |      |                            |         |         |
| Net income                                                                             |      | \$ 309.0                   | \$317.0 | \$234.4 |
| Items not involving current cash flows                                                 | 14   | 212.9                      | 155.4   | 175.5   |
|                                                                                        |      | 521.9                      | 472.4   | 409.9   |
| Changes in non-cash working capital                                                    | 14   | (224.9)                    | 0.5     | (36.1)  |
|                                                                                        |      | 297.0                      | 472.9   | 373.8   |
| <b>INVESTMENT ACTIVITIES</b>                                                           |      |                            |         |         |
| Fixed asset additions                                                                  |      | (330.7)                    | (295.6) | (226.2) |
| Purchase of subsidiaries                                                               | 2    | (147.5)                    | (102.8) | (128.1) |
| Increase in investments and other                                                      |      | (23.1)                     | (67.8)  | (59.4)  |
| Proceeds from disposition of investments and other                                     |      | 19.9                       | 84.2    | 33.9    |
| Cash acquired on acquisition of subsidiary                                             | 2    |                            | 17.1    |         |
|                                                                                        |      | (481.4)                    | (364.9) | (379.8) |
| <b>FINANCING ACTIVITIES</b>                                                            |      |                            |         |         |
| Issues of Class A Subordinate Voting Shares                                            | 11   | 506.3                      | 13.8    | 270.6   |
| Issue of convertible subordinated debentures                                           | 10   | 454.1                      | 145.3   |         |
| Issues of debt                                                                         | 9    | 32.8                       |         | 15.1    |
| Issue of shares by subsidiary                                                          | 2,3  |                            | 36.7    |         |
| (Repayment) issue of notes payable on acquisition of subsidiary                        | 2,9  | (35.5)                     | 35.5    |         |
| Repayments of debt                                                                     | 9    | (27.4)                     | (62.9)  | (23.9)  |
| Surrender of stock options                                                             | 16   |                            | (19.5)  | (27.2)  |
| Conversion of convertible subordinated debentures to Class A Subordinate Voting Shares | 11   | (0.2)                      |         | (66.3)  |
| Dividends paid to [net of capital contribution by] minority interests                  |      | (1.6)                      | (6.4)   | (9.3)   |
| Dividends                                                                              |      | (68.2)                     | (65.2)  | (45.9)  |
|                                                                                        |      | 860.3                      | 77.3    | 113.1   |
| Net increase in cash during the year                                                   |      | 675.9                      | 185.3   | 107.1   |
| Cash, beginning of year                                                                |      | 413.9                      | 228.6   | 121.5   |
| Cash, end of year                                                                      |      | \$1,089.8                  | \$413.9 | \$228.6 |

*See accompanying notes*



## Consolidated Balance Sheets

Incorporated under the laws of Ontario

[Canadian dollars in millions]

As at July 31

|                                                      | Note | 1996      | 1995      |
|------------------------------------------------------|------|-----------|-----------|
| <b>ASSETS</b>                                        |      |           |           |
| <b>Current assets:</b>                               |      |           |           |
| Cash                                                 |      | \$1,089.8 | \$ 413.9  |
| Accounts receivable                                  |      | 927.2     | 670.6     |
| Inventories                                          | 5    | 526.1     | 446.9     |
| Prepaid expenses and other                           |      | 24.3      | 29.9      |
|                                                      |      | 2,567.4   | 1,561.3   |
| Investments                                          | 6,16 | 82.6      | 75.4      |
| Fixed assets                                         | 7    | 1,509.5   | 1,304.7   |
| Goodwill                                             | 2    | 126.5     | 89.8      |
| Other assets                                         |      | 97.9      | 78.6      |
|                                                      |      | \$4,383.9 | \$3,109.8 |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>          |      |           |           |
| <b>Current liabilities:</b>                          |      |           |           |
| Bank indebtedness                                    | 9    | \$ 20.9   | \$ 27.4   |
| Accounts payable                                     |      | 718.5     | 611.6     |
| Accrued salaries and wages                           |      | 106.9     | 90.1      |
| Other accrued liabilities                            |      | 175.3     | 150.4     |
| Income taxes payable                                 | 8    | 9.2       | 66.0      |
| Long-term debt due within one year                   | 9    | 32.0      | 64.6      |
|                                                      |      | 1,062.8   | 1,010.1   |
| Long-term debt                                       | 9    | 95.9      | 94.7      |
| Convertible subordinated debentures                  | 10   | 612.8     | 150.0     |
| Deferred income taxes                                | 8    | 126.5     | 112.0     |
| Minority interest                                    | 2    | 154.7     | 151.4     |
| <b>Shareholders' equity:</b>                         |      |           |           |
| Capital stock                                        | 11   |           |           |
| Class A Subordinate Voting Shares                    |      |           |           |
| [issued: 1996 - 68,506,610; 1995 - 60,331,027]       |      | 1,463.1   | 950.8     |
| Class B Shares                                       |      |           |           |
| [convertible into Class A Subordinate Voting Shares] |      |           |           |
| [issued: 1996 - 1,098,309; 1995 - 1,104,309]         |      | 1.3       | 1.3       |
| Retained earnings                                    |      | 802.6     | 561.8     |
| Currency translation adjustment                      | 12   | 64.2      | 77.7      |
|                                                      |      | 2,331.2   | 1,591.6   |
|                                                      |      | \$4,383.9 | \$3,109.8 |

See accompanying notes

On behalf of the Board:



Director



Chairman of the Board



## Notes to the Consolidated Financial Statements – July 31, 1996

### 1. SIGNIFICANT ACCOUNTING POLICIES AND RESTATEMENT

The significant accounting policies followed by the Company are set out under "Significant Accounting Policies" preceding these consolidated financial statements. The comparative figures have been restated as a result of the change in the Company's accounting for interests in jointly controlled entities as described in note 4.

### 2. BUSINESS ACQUISITIONS

The following acquisitions were accounted for using the purchase method:

#### Fiscal 1996 acquisitions

##### *Marley Automotive Components Group*

The Company acquired the Marley Automotive Components Group ["Marley"], a U.K. based manufacturer of interior components, for cash consideration of \$110.0 million. Marley's results of operations are included in the Company's consolidated results from April 1, 1996.

##### *Pebra*

In July 1996, the Company acquired substantially all of the automotive components operations and assets of Pebra GmbH Paul Braun ["Pebra"], a German based manufacturer of exterior components, for cash consideration of \$28.9 million.

The following is a summary of the net effect on the Company's consolidated balance sheet of the current year's acquisitions:

|                      | [Canadian dollars in millions] |          |        |         |
|----------------------|--------------------------------|----------|--------|---------|
|                      | Marley                         | Pebra    | Other  | Total   |
| Net working capital  | \$ 11.1                        | \$ (0.6) | \$ 0.4 | \$ 10.9 |
| Fixed assets         | 58.0                           | 29.5     | 1.8    | 89.3    |
| Goodwill             | 43.9                           |          | 2.5    | 46.4    |
| Debt                 | (3.0)                          |          |        | (3.0)   |
| Minority interest    |                                |          | 3.9    | 3.9     |
| Total purchase price | \$110.0                        | \$28.9   | \$8.6  | \$147.5 |

Consideration paid consisted of cash of \$147.5 million.

#### Fiscal 1995 acquisitions

##### *Eybl*

A 90% interest in Eybl Durmont AG ["Eybl"], a European based manufacturer of interior components, was acquired by the Company for cash consideration of \$12.0 million and promissory notes aggregating \$35.5 million. Eybl's results of operations are included in the Company's consolidated results from June 1, 1995.

##### *MST Group*

The Company increased its ownership in its European based air bag and steering wheel company, MST Automotive GmbH ["MST"], by 14.9% to 74.9%. In two separate transactions, it acquired an additional 38.9% interest in MST for cash consideration of \$33.1 million and subsequently disposed of a 24% interest for cash proceeds of \$20.4 million.

##### *MATAG Group*

The Company increased its ownership interest to 60% in Magna Automobiltechnik AG ["MATAG"], a European based manufacturer of metal stampings, by acquiring an additional 10% interest for cash consideration of \$14.0 million. Formerly a jointly controlled entity, the total results of operations of MATAG have been included in these consolidated financial statements from November 1, 1994.

##### *Blau Group*

The remaining 45% interest in Blau Autotec Inc. and the remaining 55% interest in Blau International GmbH [the "Blau Group"] were acquired by the Company from the President of Tesma International Inc. ["Tesma"], a subsidiary of the Company, for consideration consisting of 739,155 Class A Subordinate Voting Shares of Tesma and \$0.4 million of cash. The Blau Group specializes in the manufacture of automotive fuel caps and fuel systems.

##### *Summary of fiscal 1995 acquisitions*

Consideration paid for the transactions described above consisted of cash of \$39.1 million, net of disposal proceeds of \$20.4 million, promissory notes of \$35.5 million and shares of a subsidiary of \$7.8 million. The net effect on the Company's consolidated balance sheet were increases in cash of \$17.1 million, net working capital of \$19.0 million, fixed assets, investments and other assets of \$94.5 million, goodwill of \$27.9 million, debt of \$43.5 million and minority interest of \$32.6 million.

#### Fiscal 1994 acquisitions

The Company paid \$71.1 million for European acquisitions which included the purchase of a 60% interest in MST and a 74% interest in Porsche GmbH's Zipperle group for cash consideration of \$52.7 million and \$14.0 million, respectively. The Company also acquired an additional 11.4% interest in one of its subsidiaries, Atoma International Inc. ["Atoma"], for a purchase price of \$57.0 million which was satisfied by the issuance of 1,000,000 Class A Subordinate Voting Shares of the Company.

##### *Pro-forma impact*

If the acquisitions completed during the current and prior fiscal years had occurred on August 1, 1994, the Company's unaudited pro-forma consolidated sales would have been \$6.2 billion in fiscal 1996 [1995 - \$5.4 billion] and there would have been no material impact on the net income of the Company.

### 3. TESMA PUBLIC OFFERING

On July 31, 1995, Tesma completed an initial public offering by issuing shares from treasury for aggregate cash consideration, net of share issue expenses, of \$28.9 million. The Company recognized a gain of \$17.0 million from its ownership dilution arising from the issue. The gain realized was not subject to income taxes as the issue was completed on a primary basis by Tesma.

### 4. INTERESTS IN JOINTLY CONTROLLED ENTITIES

The Canadian Institute of Chartered Accountants issued new accounting recommendations for interests in jointly controlled entities which requires such interests to be proportionately consolidated on a retroactive basis commencing in the Company's fiscal 1996 year. As a result, the consolidated financial statements include the Company's proportionate share of the assets, liabilities, sales, expenses and cash flows of its jointly controlled entities. The adoption of these recommendations had no impact on net income, earnings per share and shareholders' equity.

## Notes to the Consolidated Financial Statements – July 31, 1996

The following is the Company's combined proportionate share of the major components of the financial statements of the jointly controlled entities in which the Company has an interest:

### Balance Sheets

|                       | 1996                                  | 1995    |
|-----------------------|---------------------------------------|---------|
|                       | <i>[Canadian dollars in millions]</i> |         |
| Current assets        | \$147.6                               | \$ 68.7 |
| Long-term assets      | 134.2                                 | 104.1   |
| Current liabilities   | 93.2                                  | 44.3    |
| Long-term liabilities | 47.1                                  | 35.9    |

### Statements of Income

|                                               | 1996                                  | 1995    | 1994    |
|-----------------------------------------------|---------------------------------------|---------|---------|
|                                               | <i>[Canadian dollars in millions]</i> |         |         |
| Sales                                         | \$482.6                               | \$293.6 | \$323.4 |
| Cost of goods sold, expenses and income taxes | 449.0                                 | 264.5   | 295.9   |
| Net income                                    | 33.6                                  | 29.1    | 27.5    |

### Statements of Cash Flows

|                                | 1996                                  | 1995    | 1994    |
|--------------------------------|---------------------------------------|---------|---------|
|                                | <i>[Canadian dollars in millions]</i> |         |         |
| Cash provided from (used for): |                                       |         |         |
| Operating activities           | \$ 52.5                               | \$ 42.0 | \$ 38.1 |
| Investment activities          | (24.1)                                | (26.7)  | (18.3)  |
| Financing activities           | (25.6)                                | (29.1)  | (12.7)  |

### 5. INVENTORIES

|                            |                                       |         |
|----------------------------|---------------------------------------|---------|
| Inventories consist of:    | 1996                                  | 1995    |
|                            | <i>[Canadian dollars in millions]</i> |         |
| Raw materials and supplies | \$149.5                               | \$138.3 |
| Work-in-process            | 125.9                                 | 95.0    |
| Tooling                    | 169.2                                 | 142.7   |
| Finished goods             | 81.5                                  | 70.9    |
|                            | \$526.1                               | \$446.9 |

### 6. INVESTMENTS

In fiscal 1995, the Company acquired a 25.1% interest in Temic Bayern-Chemie Airbag GmbH, an airbag inflator manufacturer supplying the European market, for cash consideration of \$32.4 million.

Also in fiscal 1995, the Company disposed of the 12.5% interest in Kolbenschmidt AG, a German publicly traded company and the former parent of MST, which was acquired in fiscal 1994, for cash consideration realizing a gain on disposal of approximately \$10.0 million.

### 7. FIXED ASSETS

|                              |                                       |           |
|------------------------------|---------------------------------------|-----------|
| Fixed assets consist of:     | 1996                                  | 1995      |
|                              | <i>[Canadian dollars in millions]</i> |           |
| Land                         | \$ 122.0                              | \$ 107.1  |
| Buildings                    | 470.9                                 | 411.7     |
| Machinery and equipment      | 1,825.5                               | 1,588.7   |
|                              | 2,418.4                               | 2,107.5   |
| Accumulated depreciation [i] | 918.7                                 | 802.8     |
|                              | 1,499.7                               | 1,304.7   |
| Deferred preproduction costs | 9.8                                   |           |
|                              | \$1,509.5                             | \$1,304.7 |

Note:

[i] Accumulated depreciation includes \$116.9 million for buildings [1995 - \$96.4 million] and \$801.8 million for machinery and equipment [1995 - \$706.4 million].

### 8. INCOME TAXES

[a] The provision for income taxes differs from the expense that would be obtained by applying Canadian statutory rates as a result of the following:

|                                                | 1996  | 1995  | 1994  |
|------------------------------------------------|-------|-------|-------|
| Canadian statutory income tax rate             | 44.6% | 44.5% | 44.3% |
| Manufacturing and processing profits deduction | (9.0) | (9.0) | (8.5) |
| Expected income tax rate                       | 35.6  | 35.5  | 35.8  |
| Foreign rate differentials                     | (0.7) | 0.1   | 0.6   |
| Earnings of equity investees                   | (1.4) | (0.6) | (0.5) |
| Gain on issue of shares of subsidiary          |       | (1.2) |       |
| Other                                          | (1.3) | (1.6) | (0.2) |
| Effective income tax rate                      | 32.2% | 32.2% | 35.7% |

[b] The details of the income tax provision are as follows:

|                        | 1996                                  | 1995    | 1994    |
|------------------------|---------------------------------------|---------|---------|
|                        | <i>[Canadian dollars in millions]</i> |         |         |
| Current provision -    |                                       |         |         |
| Canadian federal taxes | \$ 65.8                               | \$ 69.2 | \$ 45.0 |
| Provincial taxes       | 41.0                                  | 43.1    | 26.7    |
| Foreign taxes          | 34.7                                  | 38.6    | 50.1    |
|                        | 141.5                                 | 150.9   | 121.8   |
| Deferred provision -   |                                       |         |         |
| Canadian federal taxes | 6.8                                   | 2.7     | 10.1    |
| Provincial taxes       | 4.2                                   | 1.7     | 6.2     |
| Foreign taxes          | 3.5                                   | 1.1     | 2.0     |
|                        | 14.5                                  | 5.5     | 18.3    |
|                        | \$156.0                               | \$156.4 | \$140.1 |

[c] Deferred income taxes have been provided on timing differences which consist of the following:

|                                                                                         | 1996                                  | 1995   | 1994   |
|-----------------------------------------------------------------------------------------|---------------------------------------|--------|--------|
|                                                                                         | <i>[Canadian dollars in millions]</i> |        |        |
| Tax depreciation in excess of book depreciation                                         | \$15.3                                | \$11.3 | \$20.0 |
| Preproduction costs, capitalized for accounting [net of amortization], deducted for tax | 2.7                                   | (5.5)  | (6.1)  |
| Other                                                                                   | (3.5)                                 | (0.3)  | 4.4    |
|                                                                                         | \$14.5                                | \$ 5.5 | \$18.3 |

[d] Income taxes paid in cash were \$184.8 million in fiscal 1996 [1995 - \$102.3 million; 1994 - \$95.6 million].

[e] At July 31, 1996, the Company has income tax loss carryforwards of approximately \$50.0 million which relate to certain foreign subsidiaries, the tax benefits of which have not been recognized in the consolidated financial statements. Of the total losses, \$5.0 million expire between 2001 and 2003 and the remainder have no expiry date, however, a significant portion of these remaining losses are unavailable until 1998.



# Notes to the Consolidated Financial Statements – July 31, 1996

[f] Consolidated retained earnings includes approximately \$340.0 million at July 31, 1996 of undistributed earnings of foreign subsidiaries that may be subject to tax if remitted to the Canadian parent company. No provision has been made for such taxes as these earnings are considered to be reinvested on a long-term basis.

## 9. DEBT AND COMMITMENTS

[a] The Company's long-term debt, which is substantially unsecured, consists of the following:

|                                                                                                                             | 1996                                  | 1995   |
|-----------------------------------------------------------------------------------------------------------------------------|---------------------------------------|--------|
|                                                                                                                             | <i>[Canadian dollars in millions]</i> |        |
| Bank term debt at a weighted average interest rate of approximately 5%, denominated in Deutschmarks and Austrian Schillings | \$70.8                                | \$68.9 |
| Bank term debt at the prime rate denominated primarily in Canadian dollars                                                  | 32.8                                  | 31.1   |
| Loans from governments, at interest rates up to 5%                                                                          | 13.1                                  | 9.4    |
| Notes payable on acquisition of subsidiary with an interest rate of 6%, denominated in Austrian Schillings                  |                                       | 35.5   |
| Other                                                                                                                       | 11.2                                  | 14.4   |
|                                                                                                                             | 127.9                                 | 159.3  |
| Less due within one year                                                                                                    | 32.0                                  | 64.6   |
|                                                                                                                             | \$95.9                                | \$94.7 |

[b] Future principal repayments on long-term debt are estimated to be as follows:

|            |                                       |
|------------|---------------------------------------|
|            | <i>[Canadian dollars in millions]</i> |
| 1997       | \$ 32.0                               |
| 1998       | 8.1                                   |
| 1999       | 36.3                                  |
| 2000       | 21.6                                  |
| 2001       | 20.9                                  |
| Thereafter | 9.0                                   |
|            | \$127.9                               |

[c] At July 31, 1996, the Company has operating lines of credit totaling \$172.1 million and term lines of credit totaling \$333.6 million. The Company had outstanding letters of credit in the amount of \$51.8 million drawn under its lines of credit. In addition to cash resources of \$1,089.8 million, the Company had unused and available operating lines of credit of approximately \$150.6 million and term lines of credit of approximately \$154.5 million.

[d] Under the terms of the Company's operating and term credit agreements, it is permitted to make use of bankers' acceptances and commercial paper to borrow at effective interest rates which are, from time to time, lower than those charged under the bank lines of credit.

[e] Net interest expense includes:

|                      | 1996                                  | 1995   | 1994   |
|----------------------|---------------------------------------|--------|--------|
|                      | <i>[Canadian dollars in millions]</i> |        |        |
| Interest expense     | \$39.1                                | \$11.5 | \$16.1 |
| Interest income      | (26.9)                                | (9.0)  | (6.0)  |
| Net interest expense | \$12.2                                | \$ 2.5 | \$10.1 |

Substantially all interest expense relates to the convertible subordinated debentures and long-term debt.

Interest paid in cash was \$32.5 million for fiscal 1996 [1995 - \$11.0 million; 1994 - \$19.7 million].

[f] At July 31, 1996, the Company had commitments under operating leases requiring annual rental payments as follows:

|            |                                       |
|------------|---------------------------------------|
|            | <i>[Canadian dollars in millions]</i> |
| 1997       | \$ 48.9                               |
| 1998       | 53.5                                  |
| 1999       | 54.7                                  |
| 2000       | 54.5                                  |
| 2001       | 53.5                                  |
| Thereafter | 110.7                                 |
|            | \$375.8                               |

In fiscal 1996, payments under operating leases amounted to approximately \$43.7 million [1995 - \$43.8 million; 1994 - \$34.7 million].

[g] The Canadian operations of the Company have net cash inflows denominated in U.S. dollars and German Deutschmarks. The Company utilizes foreign exchange forward contracts for the purpose of hedging a significant portion of its projected future exposure arising from the commitment to deliver products, the selling prices of which have been quoted in U.S. dollars and Deutschmarks. At July 31, 1996, the Company had outstanding foreign exchange forward contracts representing a net commitment to sell approximately U.S. \$256.1 million and 130.1 million Deutschmarks at weighted average rates of exchange of Cdn. \$1.43 and Cdn. \$0.97, respectively. The unrealized forward exchange gains and losses in respect of these contracts as at July 31, 1996 were not significant.

## 10. CONVERTIBLE SUBORDINATED DEBENTURES

|                                                                                               | 1996                                  | 1995    |
|-----------------------------------------------------------------------------------------------|---------------------------------------|---------|
|                                                                                               | <i>[Canadian dollars in millions]</i> |         |
| 5% Convertible Subordinated Debentures, denominated in U.S. dollars, due October 15, 2002 [i] | \$463.0                               |         |
| 7.25% Convertible Unsecured Subordinated Debentures, due July 5, 2005 [ii]                    | 149.8                                 | \$150.0 |
|                                                                                               | \$612.8                               | \$150.0 |

Notes:

[i] On October 17, 1995, the Company issued U.S. \$345 million of 5% convertible subordinated debentures at par, for net proceeds after issue costs of Cdn. \$454.1 million. The debentures which are unsecured are convertible at any time at the option of the holders into Class A Subordinate Voting Shares at a conversion price of U.S. \$54.40 per share. The debentures are redeemable after October 14, 1998 or at any time in the event of

## Notes to the Consolidated Financial Statements – July 31, 1996

certain changes affecting Canadian withholding taxes, at par plus accrued and unpaid interest. Upon redemption or maturity of the debentures, or repurchase in the event of certain changes in control of the Company, the Company may at its option satisfy the amounts payable by issuing to the holders Class A Subordinate Voting Shares of the Company, based on a weighted average trading price of Class A Subordinate Voting Shares, provided that there is no continuing event of default.

- [ii] On July 5, 1995, the Company issued \$150 million of 7.25% convertible subordinated debentures at par, for net proceeds after issue costs of \$145.3 million. The debentures which are unsecured are convertible at any time at the option of the holders into Class A Subordinate Voting Shares at a conversion price of \$60.25 per share. The debentures are redeemable after July 7, 1998 at par plus accrued and unpaid interest. Upon redemption or maturity of the debentures, the Company may at its option satisfy the amounts payable by issuing to the holders Class A Subordinate Voting Shares of the Company, based on ninety-five percent of a weighted average trading price of Class A Subordinate Voting Shares, provided that there is no continuing event of default.

- [iii] The Canadian Institute of Chartered Accountants has issued new accounting recommendations for the presentation and disclosure of financial instruments. The Company will adopt these recommendations on a retroactive basis commencing in fiscal 1997. The most significant impact of adopting these recommendations will be a reclassification of the convertible subordinated debentures between liabilities and shareholders' equity. Interest cost of the convertible subordinated debentures will be presented in part as interest expense and in part as a distribution from retained earnings. Accordingly, this will result in increased net income for fiscal 1996, however, there will be no impact on the reported fiscal 1996 fully diluted earnings per share.

### 11. CAPITAL STOCK

- [a] The Company's authorized, issued and outstanding capital stock is as follows:

#### Preference shares - issuable in series -

The Company's authorized capital stock includes 99,760,000 preference shares, issuable in series. None of these shares are currently issued or outstanding.

#### Class A Subordinate Voting Shares and Class B Shares -

Class A Subordinate Voting Shares without par value [unlimited amount authorized] have the following attributes:

- [i] Each share is entitled to one vote per share at all meetings of shareholders.
- [ii] Each share shall participate equally as to dividends with each Class B Share.

Class B Shares without par value [authorized - 1,412,341] have the following attributes:

- [i] Each share is entitled to 500 votes per share at all meetings of shareholders.
- [ii] Each share shall participate equally as to dividends with each Class A Subordinate Voting Share.
- [iii] Each share may be converted at any time into a fully-paid Class A Subordinate Voting Share on a one-for-one basis.

In the event that either the Class A Subordinate Voting Shares or the Class B Shares are subdivided or consolidated, the other class shall be similarly changed to preserve the relative position of each class.

- [b] Changes in the Class A Subordinate Voting Shares and Class B Shares for the three years ended July 31, 1996 are shown in the following table [Canadian dollars in millions]:

|                            | Class A<br>Subordinate Voting |                 | Class B             |                 |
|----------------------------|-------------------------------|-----------------|---------------------|-----------------|
|                            | Number of<br>shares           | Stated<br>value | Number of<br>shares | Stated<br>value |
| Issued and outstanding     |                               |                 |                     |                 |
| at July 31, 1993           | 48,807,924                    | \$ 668.0        | 1,128,009           | \$1.3           |
| Conversion of Class B      |                               |                 |                     |                 |
| Shares to Class A Shares   | 18,600                        |                 | (18,600)            |                 |
| Issued on acquisition      |                               |                 |                     |                 |
| of a subsidiary            | 1,000,000                     | 57.0            |                     |                 |
| Issued for cash            | 3,000,000                     | 147.2           |                     |                 |
| Conversion of 10%          |                               |                 |                     |                 |
| convertible subordinated   |                               |                 |                     |                 |
| debentures                 | 6,743,695                     | 66.3            |                     |                 |
| Issued for cash under the  |                               |                 |                     |                 |
| 1987 Incentive Stock       |                               |                 |                     |                 |
| Option Plan                | 96,500                        | 2.4             |                     |                 |
| Issued under the Dividend  |                               |                 |                     |                 |
| Reinvestment Plan          | 399                           |                 |                     |                 |
| Surrender of stock options |                               | (3.9)           |                     |                 |
| Issued and outstanding     |                               |                 |                     |                 |
| at July 31, 1994           | 59,667,118                    | 937.0           | 1,109,409           | 1.3             |
| Conversion of Class B      |                               |                 |                     |                 |
| Shares to Class A Shares   | 5,100                         |                 | (5,100)             |                 |
| Issued for cash under the  |                               |                 |                     |                 |
| 1987 Incentive Stock       |                               |                 |                     |                 |
| Option Plan                | 657,557                       | 13.7            |                     |                 |
| Issued under the Dividend  |                               |                 |                     |                 |
| Reinvestment Plan          | 1,252                         | 0.1             |                     |                 |
| Issued and outstanding     |                               |                 |                     |                 |
| at July 31, 1995           | 60,331,027                    | 950.8           | 1,104,309           | 1.3             |
| Conversion of Class B      |                               |                 |                     |                 |
| Shares to Class A Shares   | 6,000                         |                 | (6,000)             |                 |
| Conversion of 7.25%        |                               |                 |                     |                 |
| convertible subordinated   |                               |                 |                     |                 |
| debentures                 | 3,601                         | 0.2             |                     |                 |
| Issued under the Dividend  |                               |                 |                     |                 |
| Reinvestment Plan          | 982                           | 0.1             |                     |                 |
| Issued for cash [i]        | 8,165,000                     | 512.0           |                     |                 |
| Issued and outstanding     |                               |                 |                     |                 |
| at July 31, 1996           | 68,506,610                    | \$1,463.1       | 1,098,309           | \$1.3           |

Note:

- [i] In June 1996, the Company issued 8.165 million Class A Subordinate Voting Shares for gross proceeds of \$523.8 million through a public offering. Share issue expenses, net of related income taxes, amounted to \$11.8 million.



## Notes to the Consolidated Financial Statements – July 31, 1996

- [c] Under the 1987 Incentive Stock Option Plan originally approved by the shareholders in December 1987, as amended and subsequently approved by the shareholders in December 1995, the Company may grant options to purchase Class A Subordinate Voting Shares to full-time employees of the Company. The maximum number of shares that can be reserved to be issued for options is 6.0 million shares. The number of unoptioned shares available to be reserved at July 31, 1996 was 5.9 million [1995 - 6.0 million].

The following is a continuity schedule of options outstanding:

|                                                                                 | 1996    | 1995      |
|---------------------------------------------------------------------------------|---------|-----------|
| Balance, beginning of year                                                      |         | 1,473,500 |
| Issued                                                                          | 100,000 |           |
| Surrendered                                                                     |         | (815,943) |
| Exercised                                                                       |         | (657,557) |
| Balance, end of year                                                            | 100,000 | -         |
| Weighted average exercise price per share on outstanding options at end of year | \$62.75 |           |

- [d] The Company has a Dividend Reinvestment Plan whereby shareholders have the option to receive their dividends in the form of Class A Subordinate Voting Shares in lieu of cash.

- [e] The following table presents the maximum number of shares that would be outstanding if all the dilutive instruments outstanding at July 31, 1996 were exercised:

[thousands of shares]

|                                                                                   |        |
|-----------------------------------------------------------------------------------|--------|
| Class A Subordinate Voting Shares and Class B Shares outstanding at July 31, 1996 | 69,605 |
| 5% Convertible Subordinated Debentures                                            | 6,342  |
| 7.25% Convertible Unsecured Subordinated Debentures                               | 2,486  |
| Stock options                                                                     | 100    |
|                                                                                   | 78,533 |

### 12. CURRENCY TRANSLATION ADJUSTMENT

The following is a continuity schedule of the currency translation adjustment account included in shareholders' equity:

|                            | 1996                           | 1995   |
|----------------------------|--------------------------------|--------|
|                            | [Canadian dollars in millions] |        |
| Balance, beginning of year | \$77.7                         | \$52.0 |
| Translation adjustments    | (13.5)                         | 25.7   |
| Balance, end of year       | \$64.2                         | \$77.7 |

Unrealized translation adjustments, which arise on the translation to Canadian dollars of assets and liabilities of the Company's self-sustaining foreign operations, resulted in an unrealized currency translation loss of \$13.5 million for fiscal 1996 primarily from the weakening of the German Deutschmark against the Canadian dollar during the year. In fiscal 1995, the Company had an unrealized currency translation gain of \$25.7 million primarily from the strengthening of the German Deutschmark against the Canadian dollar.

### 13. RESEARCH AND DEVELOPMENT

Research and development expenditures, net of amounts funded by governments or customers, for fiscal 1996 were \$112.7 million [1995 - \$68.7 million; 1994 - \$35.5 million].

### 14. DETAILS OF CASH FROM OPERATING ACTIVITIES

- [a] Items not involving current cash flows:

|                                       | 1996                           | 1995    | 1994    |
|---------------------------------------|--------------------------------|---------|---------|
|                                       | [Canadian dollars in millions] |         |         |
| Depreciation and amortization         | \$190.3                        | \$163.2 | \$137.6 |
| Minority interest                     | 19.3                           | 11.7    | 17.9    |
| Deferred income taxes                 | 14.5                           | 5.2     | 16.9    |
| Equity income                         | (19.6)                         | (7.8)   | (5.6)   |
| Gain on issue of shares of subsidiary |                                | (17.0)  |         |
| Other                                 | 8.4                            | 0.1     | 8.7     |
|                                       | \$212.9                        | \$155.4 | \$175.5 |

- [b] Changes in non-cash working capital:

|                                                | 1996                           | 1995     | 1994      |
|------------------------------------------------|--------------------------------|----------|-----------|
|                                                | [Canadian dollars in millions] |          |           |
| Accounts receivable                            | \$(218.8)                      | \$(30.4) | \$(138.5) |
| Inventories                                    | (49.8)                         | (62.5)   | (82.1)    |
| Prepaid expenses and other                     | 5.9                            | 5.0      | (4.0)     |
| Accounts payable and other accrued liabilities | 73.9                           | 35.7     | 132.8     |
| Accrued salaries and wages                     | 10.2                           | 9.1      | 41.4      |
| Income taxes payable                           | (46.3)                         | 43.6     | 14.3      |
|                                                | \$(224.9)                      | \$ 0.5   | \$(36.1)  |

### 15. SEGMENTED INFORMATION

The Company's operations are substantially all related to the automotive industry. Operations include the manufacture of automobile parts for the original equipment manufacturers as well as products for the after-market. Substantially all revenue is derived from sales to North American and European facilities of the major automobile manufacturers. In fiscal 1996, sales to the Company's four largest customers amounted to 30%, 22%, 16% and 10% [1995 - 30%, 25%, 15% and 11%; 1994 - 32%, 26%, 19% and 7%] of total sales, respectively.

## Notes to the Consolidated Financial Statements – July 31, 1996

The following table shows certain information with respect to geographic segmentation [Canadian dollars in millions]:

|                                                  | 1996      |           |                         | Total     |
|--------------------------------------------------|-----------|-----------|-------------------------|-----------|
|                                                  | Canada    | Europe    | United States and Other |           |
| Sales                                            | \$2,830.7 | \$1,306.0 | \$1,719.5               | \$5,856.2 |
| Income before the following                      | \$ 399.6  | \$ 49.4   | \$ 113.0                | \$ 562.0  |
| Corporate expenses [i]                           |           |           |                         | (77.7)    |
| Income before income taxes and minority interest |           |           |                         | \$ 484.3  |
| Assets                                           | \$1,352.2 | \$1,101.1 | \$ 888.4                | \$3,341.7 |
| Corporate assets                                 |           |           |                         | 1,042.2   |
| Total assets                                     |           |           |                         | \$4,383.9 |

|                                                  | 1995      |         |                         | Total     |
|--------------------------------------------------|-----------|---------|-------------------------|-----------|
|                                                  | Canada    | Europe  | United States and Other |           |
| Sales                                            | \$2,427.5 | \$923.7 | \$1,444.2               | \$4,795.4 |
| Income before the following                      | \$ 382.3  | \$ 28.8 | \$ 124.6                | \$ 535.7  |
| Corporate expenses [i]                           |           |         |                         | (50.6)    |
| Income before income taxes and minority interest |           |         |                         | \$ 485.1  |
| Assets                                           | \$1,143.9 | \$802.8 | \$ 822.4                | \$2,769.1 |
| Corporate assets                                 |           |         |                         | 340.7     |
| Total assets                                     |           |         |                         | \$3,109.8 |

|                                                  | 1994      |         |                         | Total     |
|--------------------------------------------------|-----------|---------|-------------------------|-----------|
|                                                  | Canada    | Europe  | United States and Other |           |
| Sales                                            | \$2,124.8 | \$482.0 | \$1,277.1               | \$3,883.9 |
| Income before the following                      | \$ 305.9  | \$ 12.5 | \$ 150.7                | \$ 469.1  |
| Corporate expenses [i]                           |           |         |                         | (76.7)    |
| Income before income taxes and minority interest |           |         |                         | \$ 392.4  |
| Assets                                           | \$1,077.8 | \$449.1 | \$ 696.5                | \$2,223.4 |
| Corporate assets                                 |           |         |                         | 219.3     |
| Total assets                                     |           |         |                         | \$2,442.7 |

Notes:

[i] Corporate expenses include:

|                                       | 1996                           | 1995   | 1994   |
|---------------------------------------|--------------------------------|--------|--------|
|                                       | [Canadian dollars in millions] |        |        |
| Net interest expense                  | \$12.2                         | \$ 2.5 | \$10.1 |
| Selling, general and administrative   | 65.5                           | 65.1   | 66.6   |
| Gain on issue of shares of subsidiary |                                | (17.0) |        |
|                                       | \$77.7                         | \$50.6 | \$76.7 |

[ii] In fiscal 1996, Canadian sales include export sales of \$1,821 million [1995 - \$1,549 million; 1994 - \$1,265 million], substantially all of which are to the United States. Export sales of the other geographic segments are not significant.

[iii] Income before income taxes and minority interest from foreign operations for fiscal 1996 amounted to \$172.0 million [1995 - \$154.5 million; 1994 - \$164.4 million].

### 16. TRANSACTIONS WITH RELATED PARTIES

Two wholly owned subsidiaries of the Company have agreements with an affiliate of the Chairman of the Board for the provision of business development and consulting services. The aggregate amount payable under these agreements with respect to fiscal 1996 was U.S. \$15.0 million [1995 - U.S. \$10.8 million; 1994 - U.S. \$4.5 million].

During fiscal 1996, trusts which exist to make orderly purchases of the Company's shares for employees, either for transfer to the employees' Deferred Profit Sharing Plan which invests exclusively in such shares, or to recipients of either bonuses or rights to purchase such shares from the trusts, borrowed up to \$24.2 million [1995 - \$32.3 million; 1994 - \$26.8 million] from the Company to facilitate the purchase of Class A Subordinate Voting Shares of the Company. At July 31, 1996, the trusts' indebtedness to the Company was \$24.2 million [1995 - \$21.9 million; 1994 - \$25.1 million].

Investments include \$3.2 million [1995 - \$3.2 million; 1994 - \$3.2 million], at cost, in respect of an investment in a company that was established to acquire shares of the Company for sale to employees.

In the prior fiscal year, the Company purchased approximately 90 acres of land, adjacent to properties owned by the Company in the Town of Aurora, Ontario (near Metropolitan Toronto), from a company controlled by the Chairman of the Board for \$10.9 million. The Company has completed construction of an advanced production facility, which commenced manufacturing activities in fiscal 1995, on a portion of these lands. The Company is in the process of constructing a corporate head office and a research and product development centre on the remaining lands.

In fiscal 1995, the Chairman of the Board surrendered 815,943 options to purchase Class A Subordinate Voting Shares of the Company for \$19.5 million and exercised 274,057 other options. The proceeds on the surrender of the options were used to satisfy the exercise price of the other options, amounting to \$2.4 million, and withholding taxes related to the options. During fiscal 1994, the Chairman of the Board surrendered 565,000 options to purchase Class A Subordinate Shares of the Company for \$27.2 million, the proceeds of which were used to repay a loan owed to the Company by the Chairman and for withholding taxes related to the options.

The Company obtains services from firms in which non-officer directors of the Company are partners or officers. These services include legal services and underwriting of equity and debt issues. On an annual basis, legal fees and underwriters' fees paid to such firms were not in aggregate in excess of two tenths of one percent of revenue.

### 17. CONTINGENCIES

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies will not have a material adverse effect on the consolidated financial position of the Company.



# Notes to the Consolidated Financial Statements – July 31, 1996

## 18. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Company's accounting policies as reflected in these consolidated financial statements do not materially differ from accounting principles generally accepted in the United States ["U.S. GAAP"] except for:

- [a] The gain or loss on translation of the Company's foreign currency denominated debt is deferred and amortized over the remaining life of the debt. Under U.S. GAAP, the gain or loss on translation is included in income when it arises.
- [b] The income tax provision is based on the deferral method and adjustments are generally not made for changes in income tax rates. Under U.S. GAAP, the provision is based on the liability rate method and adjustments are made for enacted changes in income tax rates.
- [c] The amount paid on the surrender of stock options is deducted from retained earnings. Under U.S. GAAP, this amount would be deducted in computing income.
- [d] The Company has certain interests in jointly controlled entities which have been proportionately consolidated in the Company's financial statements. For purposes of U.S. GAAP, these interests would be accounted for by the equity method. Net income, earnings per share and shareholders' equity under U.S. GAAP are not impacted by the proportionate consolidation of these interests in jointly controlled entities.

- [e] The following table presents net income and earnings per share information following U.S. GAAP:

|                                                                                      | 1996    | 1995    | 1994    |
|--------------------------------------------------------------------------------------|---------|---------|---------|
| <i>[Canadian dollars in millions, except per share figures]</i>                      |         |         |         |
| Net income under Canadian GAAP                                                       | \$309.0 | \$317.0 | \$234.4 |
| Adjustments:                                                                         |         |         |         |
| Deferred losses on foreign currency denominated debt [net of amortization]           | (7.2)   |         | (4.5)   |
| Income tax provision adjustment under the liability rate method [i]                  | (0.4)   | 0.8     | 12.8    |
| Surrender of stock options                                                           |         | (19.5)  | (27.2)  |
| Net income under U.S. GAAP                                                           | \$301.4 | \$298.3 | \$215.5 |
| Earnings per Class A Subordinate Voting Share or Class B Share under U.S. GAAP [ii]: |         |         |         |
| Primary                                                                              | \$4.85  | \$4.86  | \$3.80  |
| Fully diluted                                                                        | \$4.60  | \$4.86  | \$3.61  |

Notes:

- [i] The Financial Accounting Standards Board issued Statement No. 109, accounting for income taxes, which was effective for the Company's fiscal 1994 year. The impact of adopting this standard on a prospective basis in fiscal 1994 was a reduction in the income tax provision of \$12.8 million [approximately \$0.21 per share], representing \$1.5 million for fiscal 1994 and \$11.3 million for prior fiscal years.

- [ii] Earnings per share is determined using the weighted average number of shares outstanding during the year, adjusted to reflect the application of the treasury stock method for options in accordance with U.S. GAAP.

- [f] Deferred income taxes under U.S. GAAP consist of the following timing differences:

|                                                 | 1996    | 1995    |
|-------------------------------------------------|---------|---------|
| <i>[Canadian dollars in millions]</i>           |         |         |
| Tax depreciation in excess of book depreciation | \$112.5 | \$100.6 |
| Other                                           | 0.8     | (2.2)   |
|                                                 | \$113.3 | \$ 98.4 |

- [g] The fiscal 1994 acquisition of an additional interest in Atoma, as described in note 2, would be considered a non-cash transaction under U.S. GAAP resulting in a reduction of \$57.0 million in the total investment and financing activities in the consolidated statement of cash flows.

## 19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's method of presentation.

## 20. SUBSEQUENT EVENT

In October 1996, a wholly-owned subsidiary of the Company completed a tender offer for all of the outstanding common shares of Douglas & Lomason Company ("D&L") for U.S. \$31.00 per share and subsequently merged with D&L. The aggregate consideration for the acquisition will amount to approximately Cdn. \$185 million.

Douglas & Lomason is a worldwide supplier to the automotive industry of seating systems, frames, covers, foam and mechanisms. In calendar 1995 and the six months ended June 30, 1996, D&L had net sales of U.S. \$561 million and U.S. \$299 million, respectively, and net income of U.S. \$4.2 million and U.S. \$7.4 million, respectively.

## Eleven Year Financial Summary

*[Canadian dollars in millions, except per share figures]*

*Years ended July 31*

|                                                                                                    | 1996      | 1995      | 1994      | 1993      | 1992      | 1991      | 1990      | 1989      | 1988      | 1987      | 1986      |
|----------------------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Operational Data</b>                                                                            |           |           |           |           |           |           |           |           |           |           |           |
| Sales (1)                                                                                          | \$5,856.2 | \$4,795.4 | \$3,883.9 | \$2,878.2 | \$2,575.5 | \$2,212.2 | \$2,107.3 | \$2,093.1 | \$1,536.0 | \$1,182.1 | \$1,044.1 |
| Net income (loss)                                                                                  | 309.0     | 317.0     | 234.4     | 140.4     | 98.0      | 16.5      | (224.2)   | 33.6      | 19.5      | 40.3      | 47.3      |
| Basic earnings (loss)<br>per Class A or<br>Class B Share                                           | \$4.97    | \$5.20    | \$4.18    | \$3.09    | \$2.91    | \$0.59    | \$(8.06)  | \$1.21    | \$0.70    | \$1.56    | \$1.93    |
| Fully diluted earnings<br>(loss) per Class A or<br>Class B Share                                   | \$4.71    | \$5.16    | \$3.87    | \$2.55    | \$2.08    | \$0.58    | \$(8.06)  | \$1.19    | \$0.70    | \$1.52    | \$1.93    |
| Depreciation and<br>amortization (1)                                                               | 190.3     | 163.2     | 137.6     | 123.6     | 119.1     | 115.7     | 114.9     | 108.5     | 78.3      | 55.8      | 36.7      |
| Cash flow<br>from operations (1)                                                                   | 297.0     | 472.9     | 373.8     | 336.1     | 237.4     | 117.4     | 172.7     | 93.4      | (36.5)    | 53.0      | 124.0     |
| Dividends declared per<br>Class A or Class B Share                                                 | \$1.08    | \$1.08    | \$0.93    | \$0.60    | \$0.30    | —         | \$0.12    | \$0.48    | \$0.48    | \$0.48    | \$0.48    |
| Cash dividends paid per<br>Class A or Class B Share                                                | \$1.08    | \$1.08    | \$0.81    | \$0.55    | \$0.20    | —         | \$0.24    | \$0.48    | \$0.48    | \$0.48    | \$0.48    |
| Average number of<br>Class A and Class B<br>Shares outstanding<br>(thousands)                      | 62,152    | 61,034    | 55,973    | 45,443    | 33,625    | 27,825    | 27,819    | 27,819    | 27,836    | 25,860    | 24,323    |
| <b>Financial Position</b>                                                                          |           |           |           |           |           |           |           |           |           |           |           |
| Total assets (1)                                                                                   | 4,383.9   | 3,109.8   | 2,442.7   | 1,674.4   | 1,533.5   | 1,579.2   | 1,862.2   | 1,955.7   | 1,763.0   | 1,335.1   | 913.9     |
| Fixed assets less<br>accumulated depreciation<br>and amortization (1)                              | 1,509.5   | 1,304.7   | 1,076.3   | 863.1     | 881.3     | 962.3     | 1,005.1   | 1,208.7   | 1,092.6   | 932.7     | 594.8     |
| Working capital (1,2)                                                                              | 1,504.6   | 551.2     | 354.7     | 213.6     | 103.2     | 22.1      | (646.5)   | 78.5      | 58.8      | 62.3      | 70.8      |
| Capital expenditures (1)                                                                           | 330.7     | 295.6     | 226.2     | 84.4      | 54.7      | 98.3      | 191.7     | 293.0     | 271.6     | 422.4     | 292.0     |
| Long-term debt and<br>convertible subordinated<br>debt (1,2)                                       | 708.7     | 244.7     | 103.9     | 167.8     | 320.6     | 655.0     | —         | 756.4     | 679.7     | 508.6     | 280.0     |
| Shareholders' equity (3)                                                                           | 2,331.2   | 1,591.6   | 1,319.8   | 844.4     | 590.3     | 268.1     | 231.1     | 464.3     | 446.1     | 448.9     | 345.9     |
| Equity per Class A or<br>Class B Share                                                             | \$33.49   | \$25.91   | \$21.72   | \$16.91   | \$14.74   | \$8.91    | \$8.31    | \$16.69   | \$16.04   | \$16.10   | \$13.63   |
| Long-term debt and<br>convertible<br>subordinated debt<br>to shareholders'<br>equity ratio (1,2,3) | 0.30:1    | 0.15:1    | 0.08:1    | 0.20:1    | 0.54:1    | 2.44:1    | —         | 1.63:1    | 1.52:1    | 1.13:1    | 0.81:1    |

(1) 1995 figures and all prior years have been restated to reflect the change in accounting method for investments in jointly controlled entities to proportionate consolidation from the equity basis, as described in note 4 of the Consolidated Financial Statements.

(2) 1990 figures reflect all debt as a current liability defined as "debt to be restructured".

(3) 1991 figures include \$20 million of warrants to purchase Class A Subordinate Voting Shares.



## Supplementary Financial and Share Information

### Supplementary Quarterly Data (unaudited) [Canadian dollars in millions, except per share figures]

| Fiscal 1996         | October 31 | January 31 | April 30  | July 31   | Total     |
|---------------------|------------|------------|-----------|-----------|-----------|
| Sales               | \$1,294.7  | \$1,313.5  | \$1,589.0 | \$1,659.0 | \$5,856.2 |
| Gross Margin        | 240.9      | 231.5      | 285.3     | 287.3     | 1045.0    |
| Net Income          | 71.9       | 63.4       | 87.6      | 86.1      | 309.0     |
| Earnings per share: |            |            |           |           |           |
| Basic               | \$ 1.17    | \$ 1.03    | \$ 1.43   | \$ 1.34   | \$ 4.97   |
| Fully Diluted       | 1.15       | 0.98       | 1.33      | 1.25      | 4.71      |

| Fiscal 1995 (See Note) | October 31 | January 31 | April 30  | July 31   | Total     |
|------------------------|------------|------------|-----------|-----------|-----------|
| Sales                  | \$1,133.4  | \$1,167.4  | \$1,292.3 | \$1,202.3 | \$4,795.4 |
| Gross Margin           | 238.6      | 235.7      | 250.5     | 214.9     | 939.7     |
| Net Income             | 80.8       | 73.4       | 79.8      | 83.0      | 317.0     |
| Earnings per share:    |            |            |           |           |           |
| Basic                  | \$ 1.33    | \$ 1.20    | \$ 1.31   | \$ 1.36   | \$ 5.20   |
| Fully Diluted          | 1.30       | 1.20       | 1.30      | 1.36      | 5.16      |

Note: Sales and gross margin amounts for fiscal 1995 have been restated as described in note 4 to the Consolidated Financial Statements.

### Share Information

The Class A Subordinate Voting Shares ("Class A Shares") are listed and traded in Canada on The Toronto Stock Exchange ("TSE") and the Montreal Exchange and in the United States on the New York Stock Exchange ("NYSE"). The Class B Shares are listed and traded in Canada on the TSE. As of September 30, 1996, there were 1,262 registered holders of Class A Shares and 135 registered holders of Class B Shares.

### Distribution of Shares

|               | Class A | Class B |
|---------------|---------|---------|
| Canada        | 46.3%   | 98.9%   |
| United States | 53.6%   | 1.1%    |
| Other         | 0.1%    | —       |

### Price Range of Shares

#### Canada

The following table sets forth, for the fiscal periods indicated, the high and low sale prices of the Class A Shares and Class B Shares and volumes of Class A Shares and Class B Shares traded, in each case as reported by the TSE.

| CLASS A (TSE) (\$CDN) |           |       |       |            |       |       |
|-----------------------|-----------|-------|-------|------------|-------|-------|
|                       | 1996      |       |       | 1995       |       |       |
| Quarter               | Volume    | High  | Low   | Volume     | High  | Low   |
| 1st                   | 5,237,815 | 65.00 | 56.25 | 8,608,649  | 59.25 | 46.00 |
| 2nd                   | 4,194,759 | 62.25 | 55.50 | 8,090,521  | 59.50 | 42.50 |
| 3rd                   | 7,094,624 | 65.00 | 52.25 | 5,825,769  | 55.00 | 46.50 |
| 4th                   | 4,910,544 | 70.00 | 57.00 | 10,891,783 | 65.50 | 43.00 |

#### United States

The following table sets forth, for the fiscal periods indicated, the high and low sale prices of the Class A Shares and volumes of Class A Shares traded, as reported by the NYSE.

| CLASS A (NYSE) (\$U.S.) |            |       |       |            |       |       |
|-------------------------|------------|-------|-------|------------|-------|-------|
|                         | 1996       |       |       | 1995       |       |       |
| Quarter                 | Volume     | High  | Low   | Volume     | High  | Low   |
| 1st                     | 8,262,100  | 48.00 | 41.50 | 15,757,500 | 42.63 | 33.88 |
| 2nd                     | 10,649,700 | 45.88 | 40.50 | 22,856,300 | 42.25 | 31.13 |
| 3rd                     | 12,985,300 | 47.75 | 37.63 | 14,211,800 | 39.25 | 34.13 |
| 4th                     | 11,138,600 | 50.88 | 41.75 | 16,955,000 | 48.50 | 31.75 |

| CLASS B (TSE) (\$CDN) |        |       |       |        |       |       |
|-----------------------|--------|-------|-------|--------|-------|-------|
|                       | 1996   |       |       | 1995   |       |       |
| Quarter               | Volume | High  | Low   | Volume | High  | Low   |
| 1st                   | 600    | 62.00 | 57.75 | 1,396  | 53.75 | 49.00 |
| 2nd                   | 728    | 61.00 | 59.00 | 600    | 56.63 | 47.00 |
| 3rd                   | 4,720  | 64.00 | 53.00 | 2,675  | 53.00 | 46.50 |
| 4th                   | 3,235  | 66.50 | 64.00 | 4,472  | 64.00 | 44.00 |

## Other Shareholder Information

### Officers

**Donald Walker**  
*President*  
& *Chief Executive Officer*

**William H. Fike**  
*Vice-Chairman &*  
*Executive Vice-President*

**Donald Amos**  
*Executive Vice-President,*  
*Administration*  
& *Human Resources*

**C. Dennis Bausch**  
*Executive Vice-President,*  
*Marketing & Planning*

**Gary Benninger**  
*Executive Vice-President,*  
*Engineering & Research*  
& *Development*

**J. Brian Colburn**  
*Executive Vice-President,*  
*Special Projects & Secretary*

**Vincent J. Galifi**  
*Executive Vice-President,*  
*Finance*

**Graham J. Orr**  
*Executive Vice-President,*  
*Corporate Development*

**Belinda Stronach**  
*Vice-President,*  
*Diversa Group*

**Frank Burke**  
*Treasurer*

**Bruce R. Cluney**  
*Assistant Secretary*

**Ralph G. Strohm**  
*Assistant Controller*

**Douglas R. Tatters**  
*Assistant Controller*

### Board of Directors

**Frank Stronach**  
*Chairman of the Board*

**William H. Fike**  
*Vice-Chairman &*  
*Executive Vice-President*

**The Honourable William G. Davis**  
*Counsel, Tory Tory*  
*DesLauriers & Binnington*

**George C. Hitchman**  
*Corporate Director*

**The Honourable Edward C. Lumley**  
*Vice-Chairman,*  
*Nesbitt Burns Inc.*

**Gerhard Randa**  
*Chairman*

& *Chief Executive Officer,*  
*Bank Austria AG*

**Donald Resnick**  
*Corporate Director*

**Royden R. Richardson**  
*Vice-Chairman & Director,*  
*Richardson Greenshields*  
*of Canada Limited*

**Belinda Stronach**  
*Vice-President,*  
*Diversa Group*

**Donald Walker**  
*President*  
& *Chief Executive Officer*

### Office Locations for Magna and its Automotive Systems Corporations

**Magna International Inc.**  
36 Apple Creek Boulevard  
Markham, Ontario, Canada L3R 4Y4  
Telephone: (905) 477-7766  
Internet address: <http://www.MagnaInt.com>

**Magna International of America, Inc.**  
26200 Lahser Road, Suite 300  
Southfield, Michigan, USA 48034  
Telephone: (810) 353-5540

**Magna Holding AG**  
Magna-Strasse 1,  
A-2522 Oberwaltersdorf, Austria  
Telephone: 011-43-2253-600-0

**Magna Lomason Corporation**  
24600 Hallwood Court  
Farmington Hills, Michigan, USA 48335-1671  
Telephone: (810) 478-7800

**Atoma International Inc.**  
36 Apple Creek Boulevard  
Markham, Ontario, Canada L3R 4Y4  
Telephone: (905) 477-7766

**Cosma International Inc.**  
50 Casmir Court  
Concord, Ontario, Canada L4K 4J5  
Telephone: (905) 669-9000

**Decoma International Inc.**  
50 Casmir Court  
Concord, Ontario, Canada L4K 4J5  
Telephone: (905) 669-2888

**Tesma International Inc.**  
300 Edgeley Boulevard  
Concord, Ontario, Canada L4K 3Y3  
Telephone: (905) 669-5444

### Transfer Agents and Registrars

**Canada - Class A and Class B**  
Montreal Trust Company of Canada,  
Toronto, Montreal and Vancouver

**United States - Class A**  
The Bank of Nova Scotia Trust Company of New York,  
New York

### Stock Listings

**Class A - The Toronto Stock Exchange** (MG.A)  
Montreal Exchange (MG.A)  
New York Stock Exchange (MGA)

**Class B - The Toronto Stock Exchange** (MG.B)

### Dividends

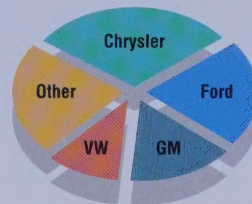
Dividends on Class A Subordinate Voting and Class B Shares were paid on each of January 15, April 15, July 15 and October 15, 1996, at the rate of Cdn. \$0.27 per Share. Dividends on Class A Subordinate Voting and Class B Shares, when payable to holders who are non-residents of Canada, are subject to withholding tax at a rate of 25 per cent unless reduced according to the provisions of an applicable tax treaty. Currently, the reduced rate applicable to dividends paid to a resident of the United States is generally 15 per cent.





## - MAGNA CONTENT -

Many of the world's best selling cars, vans, trucks and sport utility vehicles carry Magna-produced parts and systems. Magna's average dollar content per vehicle has increased approximately 10 per cent per year, over the past three years, in North America and Europe, the result of rapidly growing market penetration and product diversification.



### **Chrysler Town & Country**

*Chrysler's line of minivans – the best selling in the world – carries a wide array of Magna components and systems, including complete seats, bumper systems, mirrors and mouldings.*

### **Honda Civic**

*The Civic carries front and rear fascias designed and manufactured by Magna.*



### **Dodge Intrepid**

*The Intrepid features Magna-manufactured metal doors, bumper covers, front fenders, energy absorbers and side impact beams.*

### **Buick Park Avenue**

*The newly redesigned Park Avenue features Magna-engineered instrument panels, interior door panels and bumper covers.*



### **Ford Explorer**

*Magna supplies a number of major metal stampings and lightweight, consolidated running boards for the Ford Explorer.*

### **Mercedes-Benz C-Class**

*The C-Class line of Mercedes vehicles features steering wheels, airbag systems and various interior components.*



### **Volkswagen Golf GL**

*Volkswagen's global best-seller carries Magna-manufactured steering wheels and airbag systems.*

### **Ford Taurus**

*The Ford Taurus, one of the best-selling vehicles in North America, carries a number of engine and transmission components as well as metal body stampings.*

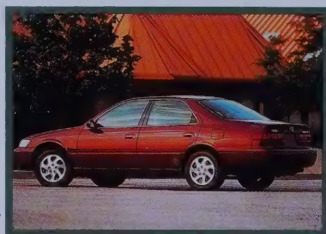


### **BMW Roadster**

*Magna manufactures the complete 'body-in-white' for the BMW Z3 Roadster.*

### **Toyota Camry**

*The totally redesigned '97 Camry features door panels, package tray substrates and chassis stampings produced by Magna. The mid-sized sedan will also offer Magna child safety seats.*







## COSMA BODY & CHASSIS SYSTEMS

### Chassis Stamping Modules & Systems

- Crossmember Assemblies
- Engine Compartment Panels
- Radiator Supports
- Shock Towers
- Transmission Supports
- Engine Cradles – Stamped & IHV

### IHV (Hydroforming) Modules & Systems

- Engine Cradles
- Radiator Supports
- Full Frames
- Instrument Panel Reinforcements
- Suspension Members

### General Stampings

- Armrest Supports
- Seat Belt Anchor Plates
- Instrument Panel Supports
- Door Intrusion Beams – Stamped & Roll-Formed
- Floor Pans – Stamped & Roll-Formed

### Bumper Stampings & Systems

- Aluminum Impact Bars
- High-Tensile Steel Impact Beams
- Stamped & Roll-Formed Bumper Beams

### Engine & Brake Related Stampings

- Oil Strainers
- Oil Pans
- Heat Shields
- Water Pumps
- Brake Backing Plates
- Master Cylinder Vacuum Shells
- Friction Welded Bearing Retainers

### Body Sheet Metal Modules & Systems

- Body Side Assemblies
- Door Assemblies/Hood & Deck Assemblies/Roof Panels
- Rear Quarter Panels
- Tailgate/Liftgate Assemblies
- Medium/Large Stamping Dies/Class A Dies

### Sunroof Systems

- Electric Sliding & Tilting
- Electric Spoiler
- Manual Sliding
- Pop Up

### Finishing

- E-Coating
- Powder Coating
- Aluminum Heat Treating

### Design & Engineering

- Complete CAD/CAM Capabilities
- Complete Body Engineering
- Complete FEA
- Prototypes
- Concept Vehicles
- Laser Trimming/Welding
- Complete Testing – Component/Module/System



## ATOMA INTERIOR SYSTEMS

### Seating Systems

- Modular Seat Assemblies (Cut & Sew – Mould in Place)
- All Belts to Seat
- Seat Adjusters/Recliners/Risers
- Headrest and Armrest Supports
- Release Handles
- Moulded Seat Cushions
- Integrated Child Safety Seat
- Integrated Airbag Restraints

### Headliner Systems

- Modular Headliners (Storage – Controls – Visors)
- Urethane/Fibreglass Headliners

### Panel Systems

- Instrument Panels
- Consoles
- Interior Trim Panels
- Sunroof Sunshades
- Integrated Airbag Restraints

### Package Tray Systems

- Modular Package Trays (Lighting – Storage – Speakers)
- Urethane/Wood Fibre & Low Pressure Package Trays

### Mirror Systems

- Mirror Assemblies
- Electromechanical Mirrors
- Heated Mirrors
- Manual/Power & Breakaway
- Cable & Paddle Remote Mirrors
- Mirror Remote Controls

### Testing Services

- FMVSS Series 200 Compliance Testing
- OEM/Supplier Validation Testing
- Closure System Testing
- Equipment Sales and Development



## EUROPE

### Body & Chassis Systems

- General Stampings
- Platform Systems
- Crossmember Assemblies
- Hydroforming Modules
- Structural Systems
- Chassis Systems

### Safety Systems

- Steering Wheels
- Airbag Modules
- Crash Tests

### Mirror Systems

- Exterior Mirrors
- Signal Mirrors
- Interior Mirrors
- Alternative Mirror Systems
- General Plastic Parts

### Interior Systems

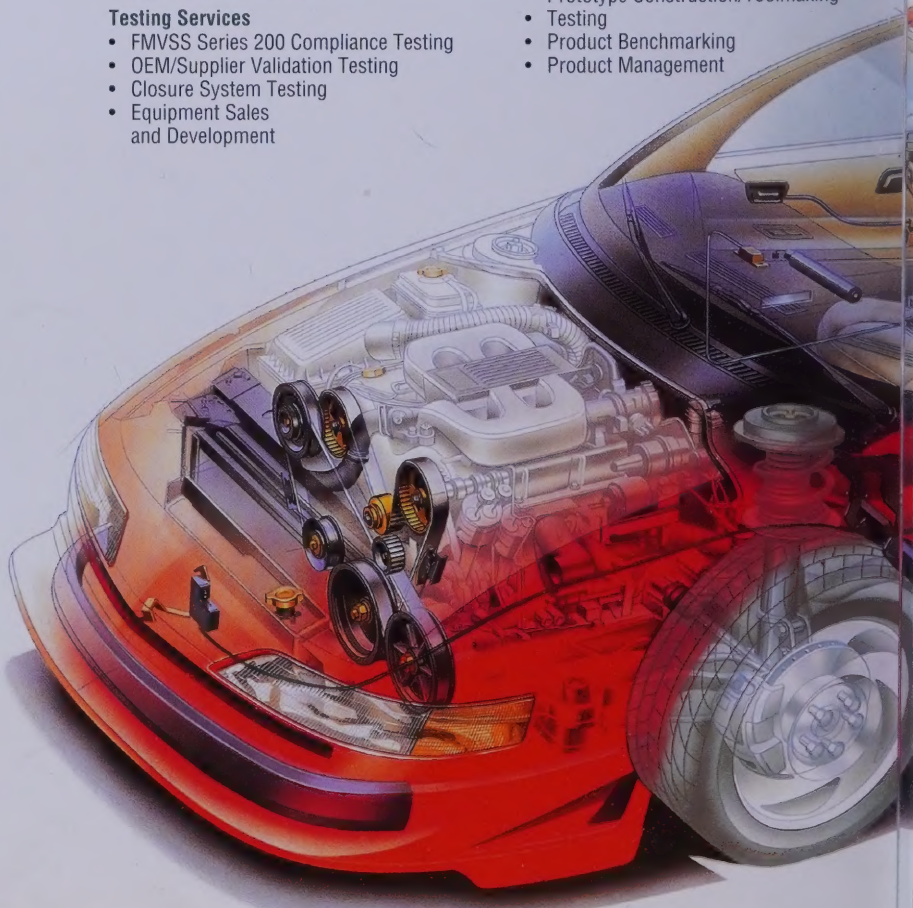
- Instrument Panels
- Cockpit/Console Parts
- Door Panels
- Loading Room Installations
- Automotive Carpets

### Exterior Systems

- Bumper Systems
- Exterior Trim Parts
- Body Side Mouldings
- Fascia Systems

### Engineering

- CAD/CAE/CAM Construction
- Model Construction
- Prototype Construction/Toolmaking
- Testing
- Product Benchmarking
- Product Management





# MAGNA

## OEMA HARDWARE & DOOR SYSTEMS

### Hardware Systems

- Fuel Filler Doors
- Pedal Assemblies
- Parking Brake Assemblies
- Shift Selectors
- Stamped Parts

### Door Systems

- Door Hinges – Stamped, Cast & Profile
- Door, Hood & Deck Lid Latching Systems
- Sliding Door & Liftgate Latching Systems
- Door Checkers
- Release & Control Cables
- Door Strikers
- Window Regulators – Cable, Arm & Sector
- Modular Door Assemblies
- Complete Door Systems
- Power Sliding Doors
- Power Liftgates

### Electromechanical / Electronic Systems

- Interior Switches
- Door Lock, Power Cinching,
- Lift Gate Actuators
- Thermo-Electrics
- Electronic Control Modules
- Electronic Display Modules
- Electronic Audible Modules
- Switchplate Assemblies
- ABS & VAPS Coil Modules
- In-Tank Fuel Modules
- Interior Lighting

# MAGNA

## TESMA POWERTRAIN SYSTEMS

### Rotational Drive Technology

- Accessory Drive Belt Tensioners & Systems
- Mechanical Timing Belt Tensioners
- Drive Shaft Assemblies
- Idler Assemblies
- Shaft Decoupler Mechanisms

### Rotational Products Technology

- Alternator Pulleys
- Crankshaft Pulleys
- Water Pump Pulleys
- Power Steering Pump & Pulley Assemblies
- Phenolic Pulleys
- Aluminum Pulleys
- Air Conditioning Clutch Rotors
- Crankshaft Isolators
- Torsional Vibration Dampers

### Power Transfer Technology

- One & Two-Piece Flexplates
- Roll-Formed Transmission Components
- Die/Flow Formed Automatic Transmission Components
- One-Piece Clutch Pistons
- Fineblanked Components
- Aluminum Diecast Components

### Liquid Transfer Technology

- Fuel, Radiator & Oil Caps
- Thermostat Housings
- Fuel Filler Necks
- Water Outlet Pipes
- Vapour Recovery Valves
- Encapsulated Metal Plastic Components

# MAGNA

## DECOMA EXTERIOR SYSTEMS

### Front & Rear Bumper Systems

- Spoilers & Grilles
- Modular Lighting
- GOP Mouldings & Nerf Strips
- Energy Management Systems
- Front & Rear Bumper Fascias

### Greenhouse Systems

- Backlite Mouldings
- Belt & Windshield Mouldings
- Pillar Appliques
- Door Surround Mouldings
- Roof Drip Mouldings
- Cowl Screens

### Body Side Systems

- Body Side Mouldings & Claddings
- Wheel Opening Mouldings
- Appearance Enhancement Packages
- Rocker Panels/Running Boards
- Stone Guards/Mud Flaps

### Vertical Body Panels

- Front & Truckside Fenders
- Door Panels
- Quarter Panels

### Sealing Systems

- Door Primary/Secondary Seals
- Inner & Outer Belt Seals
- Glass Run Channels
- Sliding Door, Pop-Out Window & Liftgate Seals
- Complete Convertible Sealing Systems

### Polymeric Glazing Systems

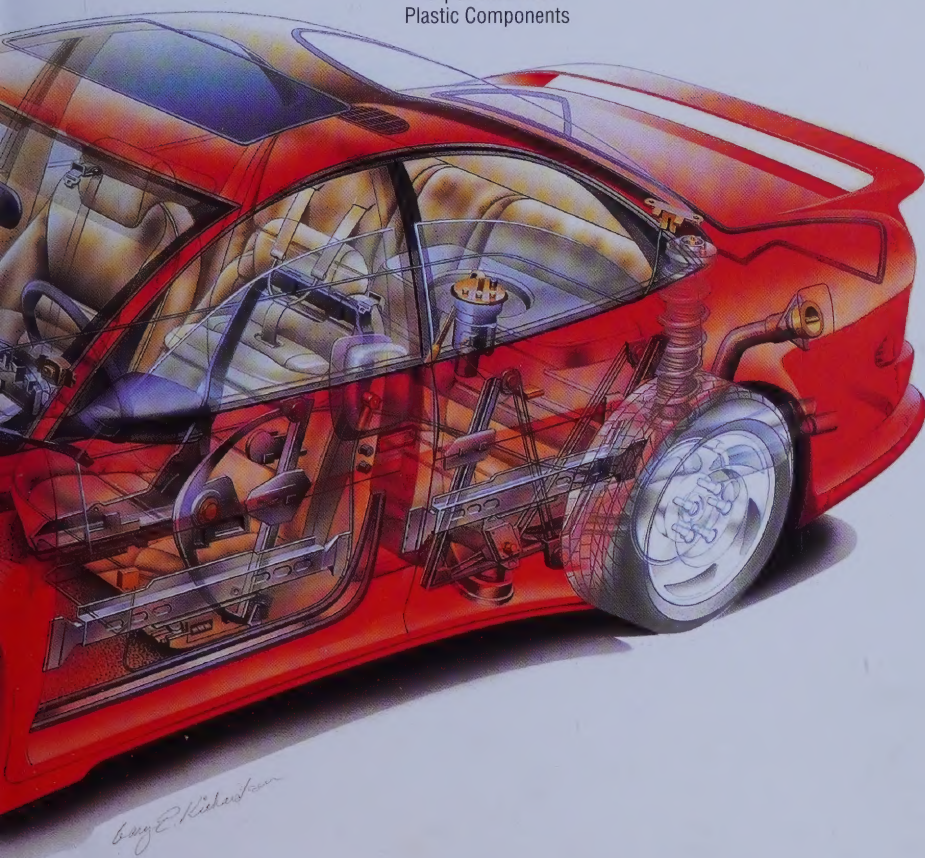
- Backlites & Quarter Windows
- Decklid Appliques
- Headlamp & Tail Lamp Lenses
- Fixed Vent Windows
- Sun Roof, T-Tops & Targa Roofs

### Finishing Capabilities

- Solvent & Waterborne Painting
- One Component/Two Component Painting
- Anoplatting, Anodizing & Anolock
- Hardcoating
- Chrome Flashing
- Dedicated & Synchronous E-Coat & Top Coat Facilities

### Roof Systems

- OEM & Aftermarket Convertible Top Systems







**A Fair Enterprise Corporation**

36 Apple Creek Boulevard  
Markham, Ontario, Canada  
L3R 4Y4

Telephone: (905) 477-7766  
Fax: (905) 475-0776

Internet Address:  
<http://www.MagnaInt.com>

